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TOBACCO Situation

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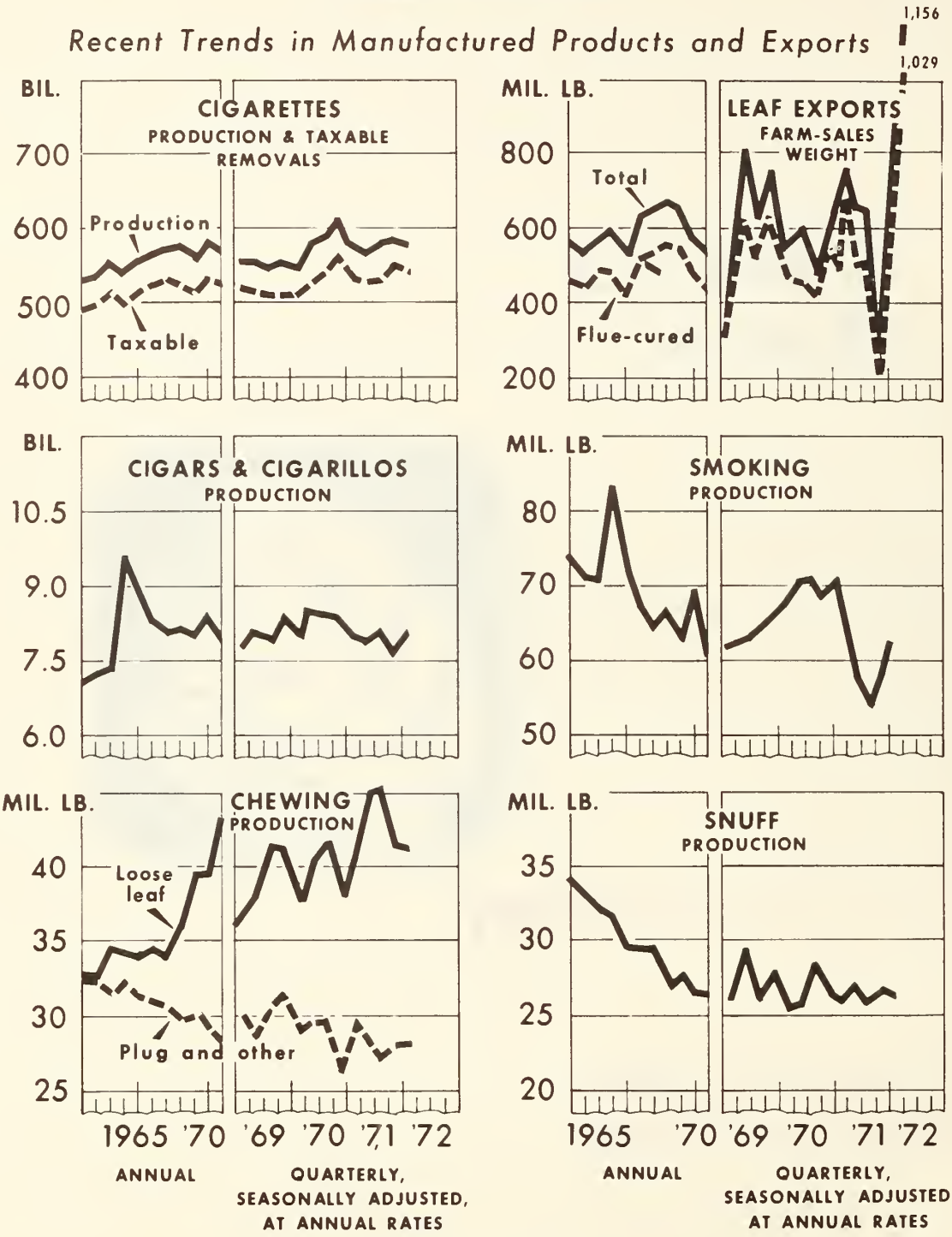
TOBACCO OUTLETS

Recent Trends in Manufactured Products and Exports



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TOBACCO SITUATION

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Approved by
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and Summary released
March 21, 1972

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The *Tobacco Situation* is published in March, June, September, and December.

SUMMARY

Domestic use and exports of tobacco for 1971/72 should exceed the 1971 crop of 1.7 billion pounds even though they will total less than last year. This would leave a yearend carryover of about 3.5 billion pounds, 4 percent below a year earlier.

Based on the legal formula, the 1972 price support levels for eligible tobacco rise 4.8 percent from last year. As a condition for receiving price support, growers must certify again this season that they did not use DDT or TDE pesticides.

This year tobacco growers expect to increase plantings about 1 percent from the 843,000 acres harvested last year. An increase of 12,000 acres is in prospect for burley as farm quotas were substantially increased by last season's production shortfall. Flue-cured acreage may decline slightly.

The prospective tobacco acreage with average growing conditions indicates a crop of 1.8 billion pounds, slightly more than last year. But a smaller expected carryover will reduce the supply a little from the 5.4 billion pounds of 1971/72. The projected crop falls below the anticipated 1972/73 offtake, so ending carryover would decline.

Last year's cigarette output declined 1 percent to 576 billion; the change partly reflected inventory reductions. Filter-tip cigarette output increased by about 6 billion from 1970, and the proportion rose to 82 percent of the total. Nonfiltertip production declined.

In 1971, U.S. smokers puffed a record 555 billion cigarettes—3 percent more than the previous year. Adult consumption per capita rose 2 percent to 4,040 cigarettes (202 packs). Per capita use in 1972 may hold at last year's level, so the total is expected to increase slightly. Sales of cigars and smoking tobacco may rebound from last year's low levels. Chewing tobacco sales are gaining.

In the second half of 1971, domestic use of U.S. tobacco fell 3 percent below a year earlier, reflecting a 4 percent drop in cigarette production. Total domestic use for the 1971/72 marketing year is now placed at 1.27 billion pounds, about 2 percent below last year.

The value of U.S. exports of tobacco and products gained 1 percent to $683 million in calendar 1971, the second highest on record. Volume declined but prices advanced. Unmanufactured tobacco exports were worth $462 million and tobacco product exports reached a record $221 million. Unmanufactured tobacco exports totaled 473 million pounds (equivalent to 524 million

pounds, farm-sales weight). This was about 7 percent below 1970, in part due to the October-November dock strike.

For the current fiscal year, exports may fall about 6 percent. They totaled 314 million pounds (export weight) for July-January, about 7 percent below a year earlier. United Kingdom manufacturers have taken substantially less U.S. tobacco as they attempt to economize on leaf costs in anticipation of eventual U.K. entry into the EC.

Flue-cured tobacco disappearance in the current marketing year may fall 5 percent below the previous year's 1.17 billion pounds. The crop was down in 1971, leaving carryover in mid-1972 around 1.94 billion pounds, down 2 percent.

Flue-cured growers intend to set about 1 percent fewer acres than last year. The base quota is unchanged but the effective quota is down about 1 percent because of net over-quota marketings last season. With average yields, production could turn out 3 percent below last year's 1.08 billion pounds. With smaller beginning stocks, next season's supply would be down a little.

Disappearance of burley tobacco in 1971/72 may stay close to last year's 557 million pounds. Last year's crop fell 15 percent due to weather-reduced yields. Burley carryover next October 1 probably will fall 80 million pounds from the year-earlier level.

With a supply equal to 3-1/3 times probable disappearance, USDA reduced the 1972 burley marketing quota by 5 percent for those not protected by minimum provisions and 2-1/2 percent for others. The resulting basic allotment of 532 million pounds is 4 percent below last year's quota. But the 1972 farm quota, reflecting 1971's under-marketings, totals about 612 million pounds, 57 million above last season's quota or 140 million above last season's marketings. Growers indicate plans for 6 percent more acres. The projected crop would rise a fifth.

An increase in acreage is in prospect for fire-cured and cigar filler types. A decrease is indicated for Maryland tobacco. Dark air-cured, cigar binder, and shade-grown cigar wrapper acreage stay about the same.

TOBACCO PRODUCTS

Cigarette Consumption Record High

Although U.S. cigarette output last year declined from 1970's record, both domestic consumption and exports rose to new highs. For this year, with further gains in the smoking age population, use may again increase slightly.

Output last year declined 1 percent to 576 billion cigarettes (table 1). Most of the decline occurred in the second half when manufacturers worked off strike-hedge inventories built up a year earlier. With cigarette advertising banned on radio and television, manufacturers shifted advertising to other media. Anti-cigarette publicity fell sharply last year.

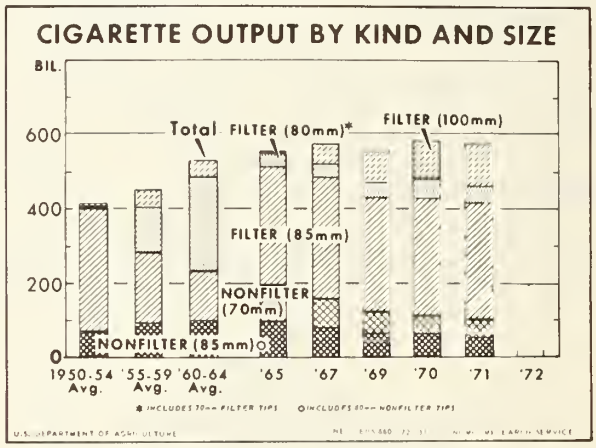
U.S. smokers (including those overseas) used 3 percent more cigarettes than in 1970, surpassing the old record set in 1967. Consumption per capita, 18 and over, rose 2 percent to 4,040 (202 packs of 20). That was still 7 percent below the 1963 peak (table 3).

U.S. exports of cigarettes gained 8 percent to a new record. The declared value of cigarette exports rose to $183 million, up 15 percent reflecting a gain in both unit value and quantity. Rising foreign cigarette consumption means U.S. exports will likely continue their upward trend this year.

Filter Trend Continues

The annual ERS survey of cigarette manufacturers indicated that filter-tip cigarettes gained further in 1971 to 82 percent of production—up from 80 percent in 1970. Concurrently, the nonfilter share declined. The filter-tip gain was largely in the 100 millimeter size that made up 20 percent of 1971 output.

Except for the 100 millimeters, filter-tip cigarettes have a shorter tobacco column than nonfilter cigarettes.



Over the past several years the filters in the cigarettes have been lengthened. Also, some brands have smaller diameters. These factors substantially reduce tobacco requirements per cigarette.

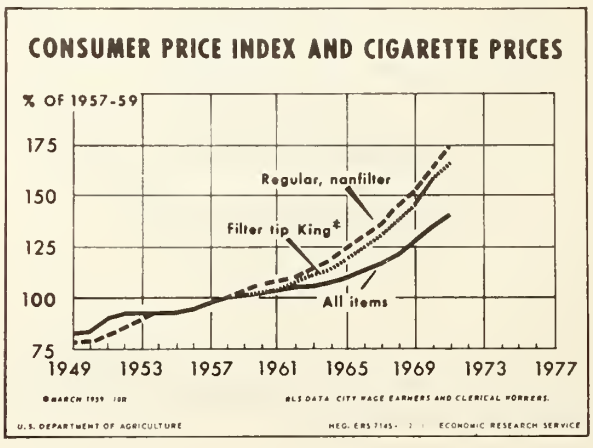


Table 1.--Cigarettes: Output, removals, and consumption, 1962-71

Year	Output	Removals				Total U.S. consumption 2/
		Taxable	Tax-exempt			
			Total	Exports	Puerto Rico and U.S. possessions	Overseas forces 1/	
	Billions					
1962	535.5	494.5	41.1	24.1	3.1	13.9	508.4
1963	550.6	509.6	41.1	23.6	3.2	14.3	523.9
1964	539.9	497.4	42.6	25.1	3.7	13.8	511.2
1965	556.8	511.5	44.2	23.1	3.9	17.2	528.7
1966	567.3	522.5	46.1	23.5	3.9	18.7	541.2
1967	576.2	527.8	49.0	23.7	3.9	21.4	549.2
1968	579.5	523.0	53.8	26.5	4.7	22.7	545.7
1969	557.6	510.5	47.1	25.0	3.7	18.4	528.9
1970	583.3	532.8	51.2	29.2	3.7	18.3	3/536.4
1971 4/	576.4	528.9	49.2	31.8	2.7	14.7	3/555.0

1/ Also includes ship stores and small tax-exempt categories. 2/ Taxable removals plus overseas forces. 3/ Excludes estimated inventory changes. 4/ Subject to revision.
Compiled from reports of Internal Revenue Service and Bureau of the Census.

Table 2.--Cigars and smoking tobacco: Output, removals, and consumption, 1964-71

Year and item	United States factories			From Puerto Rico taxable	Imports	Exports	Total U.S. consumption 1/
	Output	Removals					
		Taxable	Tax-exempt				
	Millions						
Large cigars 2/							
1964	8,736	8,122	193	809	28	44	9,108
1965	7,899	7,578	180	913	25	55	8,641
1966	7,165	7,075	193	1,075	25	73	8,295
1967	6,858	6,846	197	1,099	30	76	8,096
1968	7,184	6,759	169	1,036	48	66	7,946
1969	6,931	6,739	169	1,080	45	65	7,968
1970	7,090	6,705	162	1,259	46	54	8,118
1971 3/	6,706	6,488	131	1,222	48	53	7,836
	Million pounds						
Smoking tobacco							
1964	82.4	79.0	3.4	---	2.7	1.4	83.7
1965	71.8	67.3	3.0	---	2.1	1.0	71.4
1966	67.3	65.3	1.5	---	3.3	.9	69.2
1967	64.8	62.7	2.0	---	3.7	1.3	67.1
1968	66.3	64.1	1.9	---	5.5	1.8	69.7
1969	63.9	62.6	1.6	---	5.7	1.1	68.8
1970	69.4	65.6	1.5	---	8.4	.9	74.6
1971 3/	60.5	61.3	1.4	---	8.4	1.2	69.9

1/ Total removals (or sales) from U.S. factories plus those from Puerto Rico, and imports, minus exports. 2/ Includes cigarillos. 3/ Subject to revision.
Compiled from reports of the Internal Revenue Service, Bureau of the Census, and Consumer and Marketing Service, USDA.

Cigarette output of filter-tip and nonfilter-tip by length, 1970-71

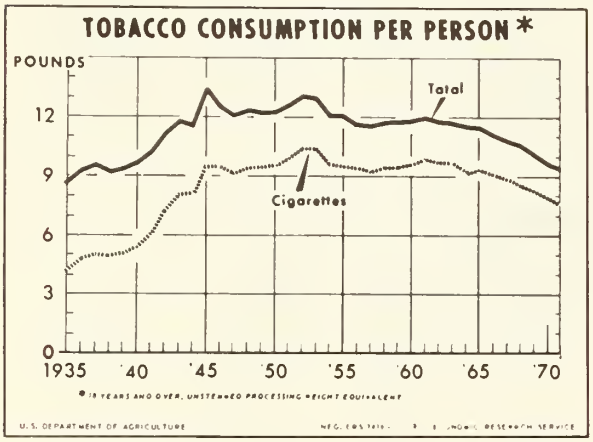
Item	1970		1971	
	Output	Percent of total	Output	Percent of total
	Billions	*Percent*	*Billions*	*Percent*
Filter-tip				
Regular 70 mm.	0.8	0.1	0.7	0.1
Long 80 mm.	47.9	8.2	50.3	8.7
King 85 mm.	313.9	53.8	311.1	54.0
Extra long 100 mm.	104.8	18.0	113.1	19.6
Total	467.4	80.1	475.2	82.4
Nonfilter-tip				
Regular 70 mm.	53.9	9.2	47.1	8.2
King 85 mm.	61.9	10.6	54.1	9.4
Total	115.8	19.9	101.2	17.6
Grand total	583.2	100.0	576.4	100.0

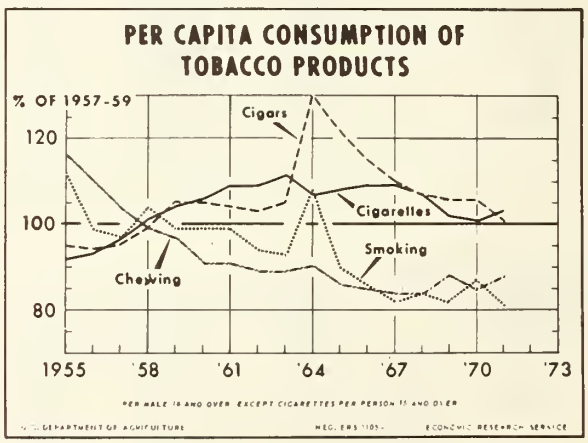
Cigarettes having other lengths were included in the most nearly comparable group.

TABLE 3.—Consumption per capita of tobacco products in the United States (including overseas forces), 1962-71

Year	Per capita 18 years and over				Per male 18 years and over			
	Cigarettes[1]		Snuff[2]	All tobacco products[1]	Large cigars and cigarillos		Smoking tobacco[2]	Chewing tobacco[2]
	Number	*Pounds*	*Pounds*	*Pounds*	*Number*	*Pounds*	*Pounds*	*Pounds*
1962	4,265	9.69	.28	11.80	121.9	2.40	1.24	1.10
1963	4,345	9.70	.27	11.78	124.6	2.39	1.22	1.11
1964	4,194	9.21	.26	11.54	154.3	2.69	1.42	1.11
1965	4,258	9.37	.24	11.51	143.8	2.57	1.19	1.07
1966	4,287	9.08	.23	11.12	136.1	2.41	1.13	1.05
1967	4,280	8.86	.23	10.80	130.7	2.28	1.08	1.04
1968	4,186	8.69	.21	10.59	126.5	2.15	1.11	1.05
1969	3,993	8.11	.20	10.04	125.0	2.11	1.08	1.09
1970	3,985	7.77	.19	9.68	125.3	2.08	1.15	1.06
1971[3]	4,040	7.70	.19	9.48	119.2	1.94	1.06	1.09

[1] Unstemmed processing weight. [2] Finished product weight. [3] Subject to revision.





Cigarette Price Rise Slows

Retail cigarette prices rose in 1971, in part due to higher cigarette taxes in many States (table 4). Since the price boosts in mid-1970, the rise has moderated, but by January the BLS retail price indexes for cigarettes were 5 percent above a year earlier. Some manufacturers raised prices in January following the Price Board's approval.

The average State cigarette tax rate (weighted by number of packs taxes) was 11.5 cents per pack in December 1971, up from 10.7 cents a year earlier. Tax increases are proposed this year in several States. The Federal excise tax is 8 cents a pack. In addition, a considerable number of local governments tax cigarettes.

U.S. cigarette exports to leading distinations, 1969-71

Country	1969	1970	1971[1]
	Millions	*Millions*	*Millions*
Hong Kong	2,685	3,167	3,824
Belgium-Luxembourg	960	1,161	2,729
Spain	1,188	1,745	2,391
Panama	1,275	1,222	1,602
Netherlands Antilles	1,356	1,406	1,530
Lebanon	570	496	1,510
Switzerland	1,117	1,384	1,209
Saudi Arabia	670	1,269	1,189
Ecuador	373	382	1,048
Kuwait	1,193	1,184	887
Japan	699	633	874
Other countries	12,884	15,098	12,999
Total	24,970	29,147	31,792

[1] Subject to revision.

Compiled from publications and records of the Bureau of the Census.

FTC-HEW Actions

The Federal Trade Commission accepted consent orders in January from 6 major cigarette manufacturers. They agreed to include in all their cigarette advertising a clear and conspicuous disclosure of the warning statement now required on cigarette packages. Because of copy and printing deadlines, advertisements that comply with the FTC order are not anticipated before midyear. This action began last summer when the FTC proposed complaints against the manufacturers.

In January, the Federal Trade Commission and the Department of Health, Education, and Welfare submitted annual reports and recommendations to Congress as required by the Public Health Smoking Act of 1969. The 1972 HEW report summarized medical literature on the health consequences of smoking. The relationships between cigarette smoking and various diseases were again reviewed. Also, allergy and air pollution from tobacco and constituents of tobacco smoke were discussed. The FTC reviewed the effectiveness of cigarette labeling and current advertising and promotion practices.

Cigar Consumption Fell in 1971

Cigar consumption turned down further in fourth quarter 1971. So for all of last year U.S. smokers (including those overseas) smoked about 7.8 billion cigars—3 percent less than in 1970. This decline contrasted with a 2 percent gain in 1970 and a fractional gain for 1969 (table 2). The BLS index of retail cigar prices rose 2 percent last year. The cyclical patterns in cigar consumption suggest use may rise this year.

Manufacturers continued to promote smaller cigarillo-size cigars (retailing up to 4 cents each) and sales of these increased at the expense of those selling for 4 to 8 cents. Medium-priced cigars about held their own.

Cigars: Taxable removals by revenue class, 1970-71

Revenue class and retail price	1970	1971	Change from 1970
	Billions	*Billions*	*Percent*
A-D (up to 8 cents)	5.23	4.98	-4.8
E (over 8 to 15 cents)	2.23	2.22	-0.4
F-G (over 15 cents)	.54	.52	-3.7
Total removals	8.00	7.72	-3.3

Smoking Tobacco Output and Use Off

With a lower rate in the fourth quarter, smoking tobacco production last year totaled 60 million pounds, 13 percent below 1970.

Sales of both pipe and cigarette-cut tobacco decreased (tables 2 and 5). Last year's estimated consumption of smoking tobacco—domestic sales plus imports—amounted to 70 million pounds, 7 percent below 1970. Domestic factories sold 6 percent less.

Based on factory shipments of cigarette papers (and allowing for probable wastage) the number of roll-your-own cigarettes smoked in 1971 were unchanged from 1970. Roll-your-owns took an estimated 28 million pounds of smoking tobacco in 1971, about 40 percent of U.S. smoking tobacco consumption (table 6).

TABLE 4.—Tobacco demand factors, 1962-71

Year	Population July 1[1]	Disposable personal income, per capita[2]		Consumer price indexes				
		Current prices	1958 prices	All items	Tobacco products	Cigarettes		Cigars, regular size
						Nonfilter-tip, regular	Filtertip King size	
	Million	*Dollars*	*Dollars*	*1967=100*	*1967=100*	*1967=100*	*1967=100*	*1967=100*
1962	119.2	2,066	1,969	90.6	83.1	80.5	84.0	96.9
1963	120.6	2,139	2,016	91.7	85.7	83.9	85.8	96.9
1964	121.9	2,284	2,126	92.9	87.7	86.6	87.3	97.2
1965	124.2	2,436	2,239	94.5	91.8	91.1	91.7	97.2
1966	126.3	2,605	2,336	97.2	96.3	96.0	96.3	98.6
1967	128.3	2,751	2,404	100.0	100.0	100.0	100.0	100.0
1968	130.4	2,946	2,487	104.2	106.3	106.9	106.4	101.3
1969	132.5	3,130	2,535	109.8	111.9	112.7	112.3	104.3
1970	135.1	3,358	2,595	116.3	122.2	122.4	122.5	105.4
1971	137.3	3,581	2,660	121.2	126.4	127.9	128.1	107.1

[1] 18 years and older including armed forces overseas. [2] Based on total population.

Manufactured tobacco imports (mostly smoking tobacco) remained the same as the 8.4 million pounds in 1970. The value was $11 million. Most imports came from the Netherlands, with Sweden, United Kingdom, and Denmark secondary sources.

Bulk Smoking Tobacco Exports Gain

Exports of smoking tobacco in bulk rose further last year to a record high of 31 million pounds. The average value also gained, bringing total value to $34.5 million. This export category includes specially prepared cigarette leaf and cut or shredded tobacco from U.S. and foreign sources. It also includes processed sheet, blended strips, or stemmed tobacco consisting of more than one kind—principally blended flue-cured and burley.

Chewing Tobacco Output Gains

Increased production and sales in the final quarter of 1971 raised last year's chewing tobacco output to 71 million pounds, 3.8 percent above 1970. Of the 2 principal categories, loose leaf output increased while plug chewing declined.

U.S. bulk smoking tobacco exports to leading destinations, 1969-71

Country	1969	1970	1971[1]
Italy	4.4	4.5	2.1
Dominican Republic	2.2	1.8	2.5
Switzerland	1.6	3.0	6.4
Netherlands	1.6	3.7	7.2
Spain	1.6	1.8	2.1
Peru	1.2	.4	1.4
Ecuador	.9	.8	1.1
Bolivia	.8	.8	.6
Australia	.8	2.0	2.3
Other countries	5.0	5.1	5.2
Total	20.2	23.9	30.9

[1] Subject to revision.

Compiled from publications and records of the Bureau of the Census.

Manufacturers sell virtually all their chewing tobacco output domestically. Sales last year increased 5.4 percent with nearly all of the gain in loose leaf. Wholesale prices for plug rose 13 percent.

Last year's snuff production remained virtually the same as the low 1970 level.

TABLE 5.—Smoking tobacco: Production and manufacturers' sales by category, 1970 and 1971

Category	Manufactured		Invoiced					
			To domestic customers		For export[1]		Total	
	1970	1971	1970	1971	1970	1971	1970	1971
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*
Pipe	56.9	49.3	54.7	49.0	1.5	1.4	56.2	50.4
Granulated or sack	1.0	.9	1.0	.9	(2)	(2)	1.0	.9
Cigarette cut	11.5	10.3	9.9	11.4	(2)	(2)	9.9	11.4
Total	69.4	60.5	65.6	61.3	1.5	1.4	67.1	62.7

[1] Sales for overseas shipment (to foreign markets and overseas forces). [2] Negligible.

TABLE 6.—Estimated number of roll-your-own cigarettes smoked and smoking tobacco consumed, 1967-71[1]

Year	Roll-your-own cigarettes	Smoking tobacco consumption				
		Total[2]	Used for—			
			Roll-your-own cigarettes		Pipe tobacco	
			Quantity	Percent of total	Quantity	Percent of total
	Billion	*Million pounds*	*Million pounds*	*Percent*	*Million pounds*	*Percent*
1967	11.7	67	21	31	46	69
1968	9.2	70	17	34	53	76
1969	10.4	69	19	27	50	73
1970	15.7	75	28	38	46	62
1971[3]	15.7	70	28	40	42	60

[1] Derived from shipments of cigarette papers. [2] Includes imported smoking tobacco. [3] Subject to revision.

U.S. EXPORTS AND IMPORTS

The United States is the leading tobacco exporter and the third largest tobacco importer. In recent years about 35 percent of the U.S. tobacco crop has been exported, representing about 30 percent of world tobacco exports. U.S. exports of tobacco and products were valued at $683 million in calendar year 1971, 1 percent over 1970. This includes unmanufactured tobacco worth $462 million and tobacco products of $221 million. Imports of unmanufactured tobacco and tobacco products were worth $107 million. Thus, U.S. tobacco exports showed a hefty $576 million surplus over imports, relieving some of the pressure on the overall U.S. balance of payments.

Leaf Tobacco Exports Decline

With the dock strike limiting fourth quarter shipments, U.S. exports of unmanufactured tobacco in 1971 fell 7 percent to 473 million pounds (export weight). This was 524 million pounds farm-sales weight, the lowest amount since 1965. Up 27 percent after 3 quarters, exports slumped by over two-thirds in the fourth quarter of last year due to the dock tieups in October and November.

Reduced exports of flue-cured-the principal export class—accounted for most of the drop in exports. However, exports of burley and stems and trimmings were also lower. Exports of dark air-cured, and cigar wrapper tobacco were higher. Kentucky-Tennessee fire-cured exports held about the same as in 1970 (table 7).

Last year a record-high 143 million pounds of tobacco were bartered for materials and services used by U.S. agencies overseas. About three-fourths of barter exports went to Western Europe, one-sixth to the Far East and Pacific countries, and the remainder to other areas. CCC provided credit on 50 million pounds of commercial exports. Over nine-tenths of these exports went to Western Europe. Most financing is for 12 months but financing up to 36 months is authorized.

For the year ending June 30, 1972, U.S. exports of unmanufactured tobacco may fall 6 percent below the 555 million pounds shipped in 1970/71. July 1971—January 1972 exports of 314 million pounds were down 25 million. January exports of 95 million pounds were a record high for one month. Exports for the rest of the fiscal year should about equal the year-earlier level.

Other Export Highlights

The United Kingdom, until last year the largest export market for U.S. leaf, reduced takings 6 percent in calendar 1971 to the lowest level since 1966. Manufacturers further depleted their stocks of U.S. leaf because of lower cost supplies from Commonwealth countries. When the EC enlargement occurs, manufacturers will have access to large supplies from the EC overseas territories. Also consumer reaction to last year's U.K. health report turned cigarette sales down.

West Germany became the leading U.S. market by increasing takings 8 percent from the previous year's high level. German cigarette production gained last year. Japan is our third ranking market. Although Japan's actual purchases were higher, recorded exports fell substantially after 1970's gain. Shifts in shipping patterns due to the U.S. dock strikes accounted for this apparent contradiction. Among other major markets, the Netherlands, Belgium, Italy, and South Vietnam increased takings from the United States following inventory adjustments in 1970.

Flue-cured exports made up seven-tenths of the total. These exports declined 7 percent from 1970 with a smaller quantity going to Japan, and to the United Kingdom and other EFTA countries.

Burley exports to the European Common Market countries were larger primarily due to larger takings by Italy. EFTA countries and Switzerland took less. Maryland tobacco exports declined to the lowest level in several years. Takings by Switzerland, the major market, decreased.

U.S. tobacco exports under government-financed programs (Public Law 480) in 1971 totaled 20.5 million pounds, the smallest quantity since the program began in 1954. Two-thirds of these exports went to South Vietnam.

U.S. Tobacco Imports Set Record

Imports of unmanufactured tobacco for consumption (withdrawals from bond and duty-paid releases for manufacture immediately upon arrival) set a record high in 1971. The total of 249 million pounds was up 14 percent (table 9). All categories of leaf and scrap were higher. The big jump came in September when manufacturers withdrew tobacco from bonded warehouses before the import surcharge became effective on October 1. (The surcharge was withdrawn December 20).

Cigarette leaf imports surpassed the previous high of 1968. Carrying an average value of 63 cents per pound, most of this category is oriental cigarette leaf. Turkey, Greece, and Yugoslavia are principal suppliers. Flue-cured and burley leaf imports declined last year but lower-valued imports of scrap from origins suitable for cigarette use gained. Last year's imports accounted for about one-sixth of the tobacco used in U.S. cigarette production. Use of imports will probably continue high this year.

General imports of tobacco (arrivals; i.e., direct entries plus that placed in bonded warehouses for withdrawal for factory use later) dropped again last year, due partly to the dock strike. Oriental cigarette leaf and scrap accounted for most of the decline. Flue-cured and burley leaf fell sharply. Unstemmed cigar filler changed

Table 7.--United States exports of unmanufactured tobacco by types and to principal importing countries for specified periods

(Declared weight)

Country and type	Average 1963-67	1968	1969	1970	1971 1/	1971 as a percentage of 1970
	Million pounds					Percent
Flue-cured	400.0	443.5	429.6	368.2	341.2	93
Burley	46.8	42.8	52.0	41.4	36.5	88
Maryland	11.8	13.8	10.4	11.8	8.9	75
Fire- and sun-cured	24.4	25.5	25.5	24.2	22.6	93
Green River	.8	.5	.4	.3	1.1	367
One Sucker	.7	1.0	.4	.5	.6	120
Black Fat, etc.	3.9	2.5	1.1	2.7	2.5	93
Cigar wrapper	4.4	4.6	2.2	1.6	2.5	156
Cigar binder	1.7	2.2	.9	.3	.1	33
Cigar filler	.9	.6	.6	.4	.3	75
Perique	.3	.2	.1	.2	.1	50
Stems, trimmings, and scrap	26.5	61.5	54.1	58.8	57.0	97
Total	522.2	598.8	577.5	510.4	473.3	93
Country of destination						
United Kingdom	124.9	146.7	134.2	95.5	89.8	94
France	6.7	6.9	8.6	9.0	10.1	112
Belgium	17.5	20.1	17.4	12.4	16.3	131
Netherlands	33.8	44.0	33.6	26.6	28.1	106
West Germany	92.9	88.6	102.2	92.6	100.0	108
Portugal	5.4	4.6	6.3	4.9	2.7	55
Denmark	15.1	19.2	19.1	18.1	16.7	92
Ireland	12.8	15.0	10.5	10.2	9.0	88
Switzerland	15.5	24.8	26.4	24.7	17.5	71
Finland	6.3	5.5	5.9	5.0	4.8	96
Norway	7.7	9.7	7.2	8.1	4.3	53
Sweden	16.0	16.9	13.9	19.5	14.7	75
Italy	8.1	5.0	19.5	3.1	16.4	529
Spain	3.4	5.5	4.1	3.0	5.2	173
Thailand	14.6	28.9	24.3	20.1	18.9	94
S. Vietnam	10.2	10.4	10.8	10.8	17.2	159
Malaysia 2/	6.8	10.9	10.9	11.8	11.0	93
Hong Kong	6.8	5.6	4.2	4.3	2.7	63
Japan	33.9	48.8	40.9	58.6	18.6	32
Australia	16.3	19.7	20.2	10.2	10.9	107
New Zealand	3.8	5.9	2.5	5.0	3.8	76
Egypt	12.4	.6	2.6	.6	1.2	200
Other countries	51.2	55.3	52.2	56.3	53.5	95
Total	522.2	598.8	577.5	510.4	473.3	93

1/ Preliminary.
2/ Malaysia and Singapore.
Detail may not add to total due to rounding.

Compiled from publications and records of the Bureau of the Census.

Table 8.--Exports of unmanufactured tobacco under Government financed programs and commercial sales, 1955-59 average, 1960-71 annual

Calendar year	Government-financed exports				Commercial exports				Total unmanufactured tobacco exports
	Title I, P.L. 480		Mutual Security and A.I.D.	Total	Barter 1/	Dollar sales		Total	
	Foreign currency sales	Long-term dollar credit sales				CCC short term credit	Other		
	Quantity (export weight)								
	Million pounds								
Average: 1955-59	49.0	---	2.9	51.9	4.0	---	443.9	447.9	499.8
1960	31.2	---	22.8	54.0	27.3	---	414.8	442.1	496.1
1961	26.0	---	20.5	46.5	61.3	---	393.2	454.5	501.0
1962	28.5	0.4	.4	29.3	50.3	---	389.3	439.6	468.9
1963	35.6	3.4	---	39.0	14.9	1.0	450.6	466.5	505.5
1964	37.9	3.5	4.3	45.7	19.5	---	449.3	468.8	514.5
1965	29.7	2.9	1.7	34.3	54.9	.3	378.6	433.8	468.1
1966	25.8	1.0	4.3	31.1	86.0	15.8	418.3	520.1	551.2
1967	17.4	5.9	2.5	25.8	91.4	10.8	444.3	546.5	572.3
1968	20.1	12.1	.3	32.5	92.7	13.5	460.1	566.3	598.8
1969	16.5	15.2	---	31.7	117.2	35.8	392.8	545.8	577.5
1970	12.6	10.4	---	23.0	122.8	58.6	306.0	487.4	510.4
1971 2/	19.3	1.2	---	20.5	143.0	49.9	259.9	452.8	473.3
	Value								
	Million dollars								
Average: 1955-59	35.3	---	1.6	36.9	2.3	---	310.7	313.0	349.9
1960	22.0	---	17.8	39.8	21.0	---	318.5	339.5	379.3
1961	20.4	---	16.5	36.9	35.2	---	318.8	354.0	390.9
1962	22.2	0.6	.3	23.1	31.1	---	319.2	350.3	373.4
1963	25.1	2.9	---	28.0	9.1	0.7	365.3	375.1	403.1
1964	24.3	3.7	2.8	30.8	11.9	---	370.2	382.1	412.9
1965	19.4	2.5	1.4	23.3	38.8	.2	320.4	359.4	382.7
1966	19.2	.8	3.8	23.8	65.7	14.0	378.0	457.7	481.5
1967	15.2	4.5	2.0	21.7	79.9	9.4	387.3	476.6	498.3
1968	17.3	10.2	.3	27.8	92.4	11.7	392.5	496.6	524.4
1969	14.9	13.6	---	28.5	121.6	36.1	353.5	511.2	539.7
1970	13.1	8.8	---	21.9	130.2	63.4	273.0	466.6	488.5
1971 2/	19.0	1.4	---	20.4	155.3	53.9	232.4	441.6	462.0

1/ Government-financed for strategic materials, 1958-62.

2/ Subject to revision.

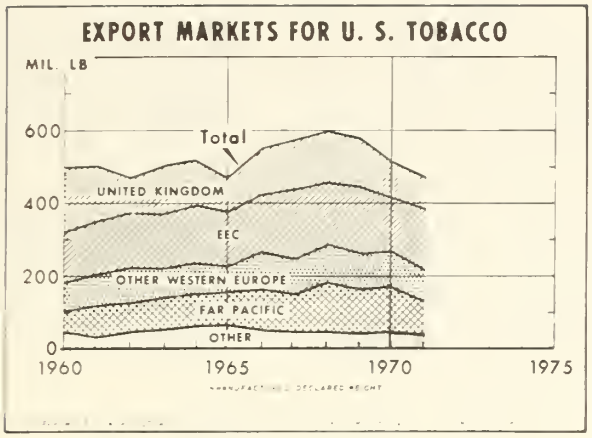
Table 9.--U.S. imports of unmanufactured tobacco for consumption and general, principal categories, and countries of origin, 1969-71

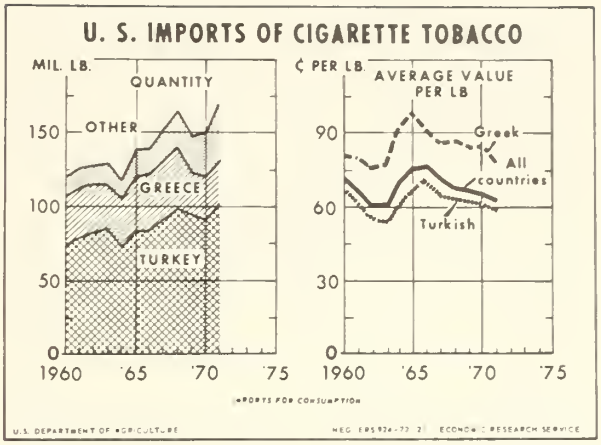
(Declared weight)

Classification and country of origin	Imports for consumption				General imports (arrivals)			
	1969	1970	1971 1/	1971 as a percentage of 1970	1969	1970	1971 1/	1971 as a percentage of 1970
	Million pounds			Percent	Million pounds			Percent
Cigarette tobacco:								
Leaf, unstemmed								
Oriental								
Turkey	94.2	91.0	101.5	112	76.1	73.2	68.9	94
Greece	29.2	28.7	29.1	101	28.5	18.4	18.3	99
Yugoslavia	14.6	15.8	21.7	137	17.2	19.2	12.9	67
Other countries	5.2	6.3	11.6	184	9.9	14.8	12.2	82
Flue-cured and burley	4.5	7.8	4.4	56	14.4	18.3	9.9	54
Subtotal	147.8	149.6	168.3	113	146.1	143.9	122.2	85
Scrap								
Turkey	8.2	10.7	10.1	98	11.8	8.7	2.7	31
Other countries 2/	3.2	4.2	8.1	193	3.4	1.8	3.5	194
Total	159.1	164.4	186.5	113	161.3	154.4	128.4	83
Cigar tobacco:								
Wrapper	.8	.8	1.0	125	1.2	1.7	1.2	71
Filler--stemmed and unstemmed								
Dominican Republic	.8	1.2	1.3	108	7.6	7.6	10.2	134
Other countries	4.0	4.4	5.1	116	33.5	29.9	25.7	86
Subtotal	4.8	5.7	6.4	112	41.1	37.5	35.9	96
Scrap								
Philippine Republic	22.8	22.3	27.2	122	20.9	18.4	15.3	83
Colombia	4.7	4.4	4.6	105	.5	0	1.0	---
Dominican Republic	5.6	6.6	6.5	98	.7	1.4	1.2	86
Brazil	3.7	3.8	4.1	108	.2	.5	.9	180
Other countries	7.1	10.3	11.5	112	3.5	4.6	3.5	76
Subtotal	43.9	47.3	53.9	114	25.8	24.9	22.0	88
Total	49.5	62.2	61.3	99	68.1	64.1	59.1	92
Stems	1.1	.4	.8	200	1.1	.3	.4	133
Grand total	209.7	218.6	248.5	114	230.6	218.8	187.9	86

1/ Preliminary.
2/ Canada, Greece, Cyprus, Lebanon, India, Korea.
3/ Less than 50,000 pounds.
Detail may not add to total due to rounding.

Compiled from publications and records of the Bureau of the Census.





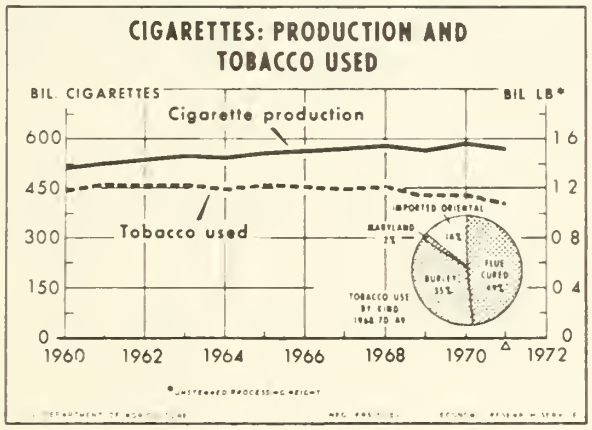
little. Most of the filler is reworked in bond and imported as scrap for factory use.

Resulting from lower imports, January 1, 1972, stocks of imported cigarette and smoking tobacco in the United States were down 12 percent from a year earlier (farm-sales weight). U.S. stocks of imported cigar leaf also declined.

TOBACCO LEAF SITUATION AND OUTLOOK[1]

HIGHLIGHTS

Because of smaller crops, the 1971/72 supply of domestic leaf tobacco, at 5.4 billion pounds, was 4 percent below the previous year. As the smaller 1971 crop moved off the farms and the export pace slowed, nonfarm leaf stocks on January 1 declined 2.5 percent below a year earlier. Moderate export levels and steady gains in cigarette sales should reduce stocks by 4 percent at the end of the current marketing year from the 3.67 billion pounds at the start. Last year, U.S. cigarette manufacturers used an estimated 1.1 billion pounds of tobacco (unstemmed processing weight). This quantity was about 4 percent below the previous year.



Prospective Acreage Up

Following a year of decreased production, tobacco growers plan to set 1 percent more acreage, according to the March intentions report. A 6 percent increase in burley accounts for most of the gain as burley growers make up last year's shortfall. Although the base quota for burley is 4 percent lower, allowance for 1971's net undermarketings gives an effective poundage quota 10 percent more than last year. Little change is in prospect for flue-cured acreage. Growers of fire-cured and cigar filler types may set more acreage. Maryland acreage may drop. Dark air-cured, cigar binder, and cigar wrapper may steady (table 11).

All tobacco types expect Maryland, Pennsylvania filler, shade-grown cigar wrapper, and perique are under quotas. Basic allotments were increased for Kentucky-Tennessee fire-cured. Quotas were terminated for cigar binder (types 51-52). Allotments for flue-cured, Virginia fire-cured, sun-cured, dark air-cured, and cigar filler and binder (types 42-44 and 53-55) did not change.

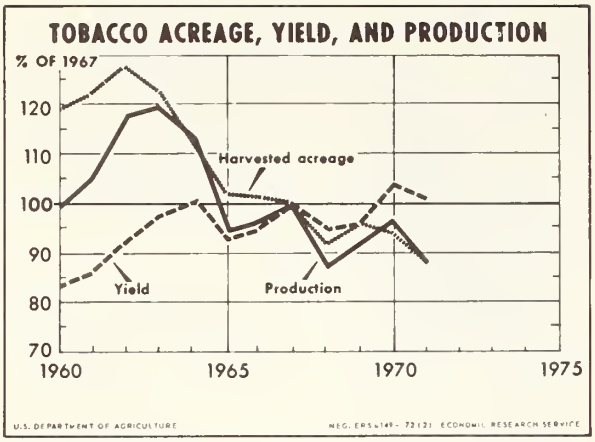
For all types of U.S. and Puerto Rican tobacco, production from this year's intended acreage would total 1.78 billion pounds, 4 percent more than last year. This level can be achieved with a reasonably favorable season. This size crop plus the tentative carryover gives a 1972/73 supply a little below this year's level.

1972 Price Support Program

The 1972 crop price support program for tobacco is similar to the one in effect for many years. Based on the legal formula, supports go up about 4.8 percent over 1971. Price support will be made available to eligible producers through non-recourse loans to producer associations.

The increase in 1972 support levels is required by law and it reflects higher prices for goods and services bought by farmers during the past 3 calendar years

[1] All quantities in this section are farm-sales weight equivalent unless otherwise noted.



(1969-71) compared with 1959 average prices paid by farmers.

Computations of price support level adjustment factor for tobacco, 1960-72

Crop year	Parity index[1]		Price support level adjustment factor[3]
	Previous calendar year	3-year average[2]	
	1910-14=100		*1959=100*
1960	298	293	([4])
1961	300	297	100
1962	302	300	101
1963	307	303	102
1964	312	307	103
1965	313	311	104
1966	321	315	106
1967	334	313	108
1968	342	332	111
1969	355	344	115
1970	373	357	120
1971	390	373	125
1972	410	391	131

[1] Index of prices paid by farmers, including wage rates, interest and taxes. [2] 3 calendar years immediately preceding. [3] 3-year average parity index divided by 1959 parity index. [4] Act of February 20, 1960 set the 1960 price support at the 1959 level.

To receive price support, tobacco producers must certify that DDT or TDE insecticides were not used on their 1972 tobacco crop. This requirement also applied last year. U.S. exports face sharp reductions if DDT or TDE residues are above tolerance levels set by foreign governments.

Growers of cigar binder and Ohio filler approved marketing quotas on their next 3 crops in a January referendum. Therefore, price support will be available for their 1972, 1973, and 1974 crops (table 10). Growers of flue-cured, burley, fire-cured, and dark air-cured tobaccos approved marketing quotas applicable to the 1972 crop in previous referendums.

FLUE-CURED

Utilization Falters

Domestic disappearance of flue-cured tobacco (types 11-14) during 1971/72 may fall 2-3 percent below last season's 641 million pounds, even with the same cigarette output. During the first half of this marketing year, domestic disappearance ran 4 percent less, primarily due to reduced cigarette production. Cigarette output for last July through January was 2.7 percent lower than in the comparable period of 1970/71.

Exports are recovering from the dock strike but so far this marketing year they are below the year-earlier period, by enough to pull the season's flue-cured prospects down an eighth from last season. July-January exports fell 10 percent to 301 million pounds. Lowered shipments to the United Kingdom and West Germany accounted for three-fourths of the decline. Despite competition from other suppliers, Denmark, Ireland, and the Netherlands took more U.S. tobacco. Japan's takings were just short of the year-earlier high level. Shipment of strike-delayed purchases this spring should boost Japanese and West German takings well above last season's total (table 12).

Table 11.—U.S. tobacco: Acreage and production, 1970-72

Type	Acreage				Production			
	1970	1971	1972[1]	Change from 1971	1970	1971	1972[2]	Change from 1971
	1,000 acres	*1,000 acres*	*1,000 acres*	*Percent*	*Million pounds*	*Million pounds*	*Million pounds*	*Percent*
Flue-cured								
11-Old and Middle Belt, VA.-N.C.	201.0	190.0	187.0	-2	371	355	---	---
12-Eastern N.C.	187.0	159.0	158.0	-1	418	355	---	---
13-S.C.-Border N.C.	117.3	107.0	106.5	0	247	230	---	---
14-Georgia-Florida	78.8	70.3	68.1	-3	157	136	---	---
Total, types 11-14	584.1	526.3	519.6	-1	1,193	1,076	1,039	-3
Burley, type 31	216.4	215.5	227.5	+6	561	[3]472	569	+21
Maryland, type 32	27.0	28.0	27.0	-4	29.4	29.7	29.0	-2
Total, all types 11-72	899.3	842.8	849.8	+1	1,908	[3]1,713	1,771	+3

[1] March 1 intentions. [2] Based on auction sales. [3] Based on average yield adjusted for trend. [4] Computed from unrounded data.

Table 10.--Marketing quota referendums, by kinds of tobacco

Kind (type numbers in parentheses) and basis of quotas 1/	Last referendum				Next referendum	
	Date	Crops to which applicable	Number voting	Percentage voting in favor of quota 2/	Probable date 3/	Crops to which applicable
Flue-cured (11-14) Acreage-poundage	July 16, 1970	1971-73	129,961	98.4	Dec. 1973	1974-76
Burley (31) Poundage	May 4, 1971	1971-73	328,608	96.6	Feb. 1974	1974-76
Maryland (32)	Feb. 22-26, 1971	1971-73	3,976	19.2	Feb. 1974 4/	1974-76
Fire-cured (21-23)	Feb. 16-20, 1970	1970-72	12,767	93.8	Feb. 1973	1973-75
Dark air-cured (35-36)	Feb. 16-20, 1970	1970-72	12,234	93.2	Feb. 1973	1973-75
Va. sun-cured (37)	Feb. 22-26, 1971	1971-73	665	94.6	Feb. 1974	1974-76
Pa. filler (41)	Feb. 22-26, 1971	1971-73	1,412	22.5	Feb. 1974 4/	1974-76
Cigar binder (51-52)	Jan. 10-14, 1972	1972-74	282	92.2	Feb. 1975	1975-77
Cigar filler and binder (42-44, 53-55)	Jan. 10-14, 1972	1972-74	3,629	91.2	Feb. 1975	1975-77

1/ Quotas based on acreage allotments unless otherwise specified. 2/ A majority of two-thirds or more of farmers voting is required for marketing quotas to become effective under the acreage allotment program or acreage-poundage program. 3/ Probable month, but referendums can occur earlier if warranted by pertinent considerations. 4/ Unless at least a fourth of the growers petition the Secreatary in the interim.

Table 12.--United States exports of unmanufactured tobacco by types, to principal importing countries, crop years, 1970/71-1971/72 1/

(Declared weight)

Importing country	1970-1971	Part year through January 2/ 1970-1971	Part year through January 2/ 1971-1972
	Million pounds		
	Flue-cured, types 11-14		
United Kingdom	95.1	69.8	53.6
West Germany	88.4	42.2	36.1
Japan	41.2	40.0	39.5
Netherlands	15.6	8.8	10.1
Thailand	21.4	14.8	15.2
Australia	10.4	7.1	6.5
Italy	9.8	0	.5
Sweden	9.8	8.0	7.1
Norway	2.9	2.2	1.8
Finland	3.8	2.9	1.9
Denmark	11.2	5.3	6.6
Ireland	9.3	4.1	4.3
Belgium	11.7	6.4	5.4
Switzerland	8.3	4.8	2.0
S. Vietnam	11.9	6.1	6.6
France	3.6	3.5	1.5
Spain	5.1	0	0
Malaysia	7.0	4.4	4.5
Taiwan	9.5	3.5	2.0
New Zealand	3.7	2.5	1.3
Other countries	34.3	19.2	18.4
Total	414.0	255.5	224.9
	Burley, type 31		
Italy	5.4	0	2.5
Sweden	4.9	3.3	1.1
Denmark	2.4	.5	.8
Netherlands	1.4	.2	.4
Belgium	1.3	.5	*
West Germany	12.7	3.9	.4
Switzerland	2.8	.1	*
Finland	1.2	.5	.3
Thailand	1.8	.4	.4
Philippine Republic	1.9	0	.1
Other countries	8.3	2.3	.8
Total	44.1	11.7	6.9
	Maryland, type 32		
Belgium	1.5	.4	.2
West Germany	1.6	.4	.8
Switzerland	6.9	2.1	.5
Other countries	1.3	.2	.1
Total	11.4	3.2	1.7
	Ky.-Tenn. fire-cured, 22-23		
Sweden	.2	.2	.6
Netherlands	12.5	3.3	1.7
Belgium	1.5	.9	.2
France	2.8	0	.8
Switzerland	.9	.5	.8
Other countries	6.7	2.7	.9
Total	24.6	7.5	5.0
	Stems, Trimmings, and Scrap		
Sweden	5.2	.7	.3
Denmark	3.3	.9	.5
United Kingdom	14.8	6.5	7.2
West Germany	6.8	1.9	1.4
Other countries	39.3	20.2	15.6
Total	69.4	30.2	24.9

Importing country	1970-1971	Part year through January 2/ 1970-1971	Part year through January 2/ 1971-1972
	Thousand pounds		
	Va. fire and sun-cured, 21, 37		
Sweden	626	467	445
Norway	2,105	791	210
Other countries	1,235	153	146
Total	3,966	1,411	801
	One Sucker, type 35		
Belgium	216	55	0
New Guinea	135	25	0
Other countries	291	63	28
Total	642	143	28
	Green River, type 36		
United Kingdom	108	20	0
West Germany	761	0	0
Congo (Kinshasa)	74	0	0
Other countries	123	22	26
Total	1,066	42	26
	Cigar Filler, types 41-44		
France	90	0	65
New Zealand	86	16	18
Other countries	24	2	0
Total	200	18	83
	Conn. Binder, types 51-52		
West Germany	88	88	17
Canada	32	23	6
Canary Islands	22	19	0
Other countries	102	48	3
Total	244	178	26
	Wis. Binder, types 54-55		
Netherlands	56	38	0
Other countries	6	0	1
Total	62	38	1
	Cigar Wrapper, types 61-62		
Canada	441	214	205
United Kingdom	248	245	1,004
West Germany	374	32	138
Australia	68	40	22
Canary Islands	80	55	51
Other countries	461	170	327
Total	1,672	756	1,747
	Black Fat		
Cameroon	510	168	122
Bahamas	47	21	8
Togo	457	226	135
Nigeria	575	231	171
Western Africa, n.e.c.	914	199	222
Other countries	137	52	23
Total	2,640	897	681

1/ July-June crop year for flue-cured and cigar wrapper; October-September for all other types. 2/ Subject to revision.
* Less than 50,000 pounds. Detail may not add to total due to rounding.
Compiled from publications and records of the Bureau of the Census.

Table 13.—Flue-cured tobacco, types 11-14, and burley tobacco, type 31: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1962-72
(Farm-sales weight)

Marketing year	Acreage harvested	Yield per acre	Production	Beginning stocks[1]			Total supply
				Manufacturers and other	Under loan	Total	
	Thousand acres	*Pounds*	*Pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*
			Flue-cured, types 11-14				
1962	729.8	1,930	1,408.4	1,704.1	377.0	2,081.1	3,489.5
1963	694.5	1,975	1,371.5	1,785.3	496.3	2,281.6	3,653.1
1964	627.6	2,211	1,387.8	1,689.5	696.9	2,386.4	3,774.2
1965	562.3	1,883	1,059.0	1,636.9	918.5	2,555.4	3,614.4
1966	607.0	1,825	1,107.9	1,602.5	836.4	2,438.9	3,546.8
1967	610.3	2,070	[2] 1,250.0	1,587.1	685.4	2,272.5	3,522.5
1968	533.0	1,841	[2] 9.995.6	1,528.1	773.4	2,301.5	3,297.1
1969	576.8	1,825	1,052.8	1,299.6	800.5	2,100.1	3,152.9
1970	584.1	2,042	[2] 1,178.1	1,227.5	744.9	1,972.4	3,150.5
1971[3]	526.3	2,045	[2] 1,076.3	1,214.5	761.9	1,976.4	3,052.7
1972[4]	519.6	2,000	1,039.0	1,317.7	620.0	1,937.7	2,976.7
			Burley, type 31				
1962	338.6	1,993	674.9	1,104.2	33.2	1,137.4	1,812.3
1963	338.5	2,231	755.1	1,133.5	94.4	1,227.9	1,983.0
1964	306.6	2,022	619.8	1,146.8	265.4	1,412.2	2,032.0
1965	277.1	2,116	586.3	1,099.3	316.4	1,415.7	2,002.0
1966	240.7	2,437	586.7	1,133.4	261.9	1,395.3	1,982.0
1967	237.7	2,274	540.6	1,104.8	276.7	1,381.5	1,922.1
1968	237.6	2,372	563.4	1,002.4	321.7	1,324.1	1,887.5
1969	237.7	2,488	591.4	975.7	340.8	1,316.5	1,907.9
1970	216.4	2,590	560.5	887.9	454.8	1,342.7	1,903.2
1971[3]	215.6	[5] 2,190	[5] 471.5	882.4	463.4	1,345.8	1,817.3
1972[4]	227.6	2,500	569.0	942.3	320.0	1,262.3	1,831.3

Marketing year	Disappearance			Average price per pound	Price level	Placed under Government loan	
	Total	Domestic	Exports			Quantity	Percentage of crop
	Million pounds	*Million pounds*	*Million pounds*	*Cents*	*Cents*	*Million pounds*	*Percent*
			Flue-cured, types 11-14				
1962	1,207.9	777.0	430.9	60.1	56.1	237.2	16.8
1963	1,266.7	768.3	498.4	58.0	56.6	277.2	20.2
1964	1,218.8	774.7	444.1	58.5	57.2	285.6	20.7
1965	1,175.5	752.4	423.1	64.6	57.7	71.5	6.8
1966	1,274.3	687.2	587.1	66.9	58.8	74.6	6.8
1967	1,221.0	687.7	533.3	64.2	59.9	282.1	22.6
1968	1,197.0	671.7	525.3	66.6	61.6	128.8	12.9
1969	1,180.5	645.9	534.6	72.4	63.8	97.6	9.3
1970	1,174.1	640.8	533.3	72.0	66.6	144.2	12.2
1971	[4] 1,115.0	[4] 625.0	[4] 490.0	[5] 77.2	69.4	55.7	5.2
1972					[4] 72.7		
			Burley, type 31				
1962	584.4	530.9	53.5	58.6	57.8	63.5	9.4
1963	570.8	513.4	57.4	59.2	58.3	202.3	26.8
1964	616.3	560.6	55.7	60.3	58.9	110.4	17.8
1965	606.7	549.6	57.1	67.0	59.5	42.2	7.2
1966	600.5	544.1	56.4	66.9	60.6	62.5	10.6
1967	598.0	544.6	53.4	71.8	61.8	64.2	11.9
1968	571.0	516.1	54.9	73.7	63.5	56.2	10.0
1969	565.2	507.1	58.1	69.6	65.8	158.5	26.8
1970	557.4	503.0	54.4	72.2	68.6	47.7	8.5
1971	[4] 555.0	[4] 505.0	[4] 55.0	[5] 80.9	71.5	.2	([6])
1972					[4] 74.9		

[1] July 1 for flue-cured; October 1 for burley. [2] Sales. [3] Subject to revision. [4] Estimated; production is based on intended acreage and projected yield. [5] Based on auction sales. [6] Less than, .05 percent.

Carryover Declining Again

Despite prospects for lower domestic use and exports, the smaller crop last season means the flue-cured carryover on July 1, 1972, will fall about 40 million pounds below the 1.98 billion of mid-1971. In contrast, the carryover stayed about the same in 1970/71. From 1965 through mid-1971 the decline averaged 96 million pounds a year.

This season manufacturers have purchased heavily from CCC loan stocks to increase their holdings for the first time since 1962/63. In the 7 months ended February 29, 1972, 170 million pounds were sold from loan stocks, compared with 48 million the same period last year. Unsold loan stocks on March 1 were 178 million pounds below a year earlier.

Tobacco loan stocks, 1970-72

(Farm-sales weight)

Type	End of February		
	1970	1971	1972
	Million pounds	*Million pounds*	*Million pounds*
Flue-cured, 11-14	800.9	845.0	702.4
Uncommitted	750.1	805.7	607.6
Burley, 31	487.3	505.4	393.8
Uncommitted	469.7	499.8	326.8
Virginia, 21	1.6	1.4	.7
Ky.-Tenn., 22-23	12.5	10.1	2.3
Ky.-Tenn., 35-36	19.5	19.2	14.7
Ohio, 42-44	.1	0	0
Puerto Rican, 46	1.5	4.1	2.2
Conn. Valley, 51-52	2.1	2.6	.5
Total	1,325.5	1,387.8	1,116.6

Compiled from records of Tobacco Division, ASCS.

1972 Acreage Down

The national base quota stays the same as 1971, but decreased poundage allocations (reflecting last year's net overmarketings) can mean a smaller crop. Overmarketings in 1971 exceeded undermarketings eligible to be carried forward by 10½ million pounds.

According to March 1 intentions, 520,000 acres will be grown, about 1 percent below last year. On the intended acreage, an average yield per acre—which takes into account a modified trend due to the restraints of farm poundage quotas-indicates a 1972 production of about 1.04 billion pounds. This size crop would be 3 percent below 1971.

The projected crop plus the tentative carryover gives a 1972/73 supply about 2 percent under the 3.05 billion pounds available in the current marketing year (table 13). Based on the legal formula, the 1972 crop will be supported 4.8 percent higher than last year's 69.4 cents per pound.

BURLEY

Crop to Increase Despite Quota Reduction

The 1972 effective quota for burley tobacco of about 612 million pounds is 57 million pounds above last year's quota. This reflects 1971's undermarketings and will result in a larger crop. The 1972 basic allotment of 532 million pounds is 4 percent below last year's quota. USDA reduced the marketing quota by 5 percent for growers not protected by minimum provisions and 2½ percent for all others.

March 1 intentions indicated farmers would set about 6 percent more burley acreage than last year. Assuming an average yield, adjusted for modified trend due to the poundage control program, production on the intended acreage would total 569 million pounds, about one-fifth more than last year's weather-reduced crop. The indicated carryover would result in a 1972/73 supply slightly above the 1.82 billion pounds of the current marketing year, but still falling short of 1970/71's level.

Based on the legal formula, the price support level for the 1972 crop will be about 4.8 percent above the 1971 level.

Supplies Reduced; Carryover Declining

Due to last season's short crop, the 1971/72 burley tobacco supply is 4 percent below last year. Supply still equals 3.3 times estimated disappearance. The October 1 carryover remained about the same (table 13).

By February 29, burley loan stocks were down one-third from the 500 million pounds of a year earlier. Cigarette sales are rising and manufacturers were unable to obtain their requirements from the auction markets.

Domestic burley use in 1971/72 may come near the 504 million pounds of last marketing year if cigarette production stays about the same. Following record burley exports in 1969/70, exports declined last marketing year and may fall further this year. Shipments in October 1971-January 1972 fell 6 million pounds. Italy's takings rebounded, but West Germany's and Belgium's fell sharply. Greece has increased burley production in recent years and its burley enters the EC duty-free in substantial quantities. Foreign burley production in 1971 rose 52 million pounds from the previous season's record.

While the downtrend in burley disappearance may continue, the carryover probably will decline about 6 percent from the 1,346 million pounds of last October 1. Loan stocks may fall back to the 1968 level.

Record Auction Prices

The 1971 burley crop brought the highest average price on record but sales volume dropped to the lowest level since 1958. General quality improved and grade averages were record high. The shorter crop reduced total sales value 5 percent from 1970. With competition for the small but high quality crop, government loan

Table 14.--Burley tobacco: Gross auction sales, and average price, by States, crops of 1970 and 1971

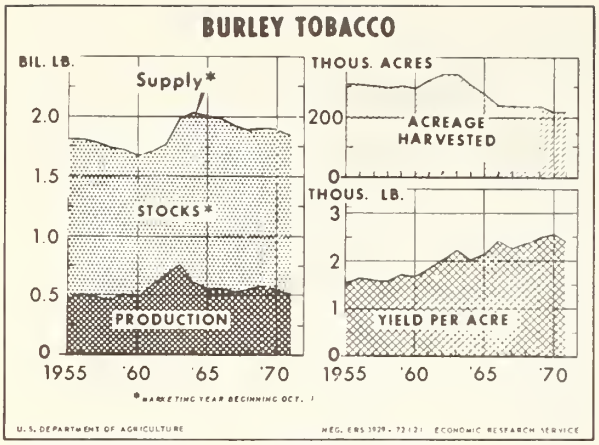
State	1971 crop		1970 crop	
	Sales	Average price	Sales	Average price
	Million pounds	Cent per pound	Million pounds	Cent per pound
Kentucky	344.3	81.17	402.2	72.12
Tennessee	89.7	80.16	102.9	72.56
Virginia	20.6	80.27	25.1	71.87
North Carolina	14.2	79.83	17.8	72.80
West Virginia	3.2	80.38	5.0	70.76
Indiana	10.5	81.17	12.2	71.42
Ohio	8.3	80.76	10.2	71.88
Missouri	5.2	80.46	5.3	68.01
Total all States 1/	496.0	80.89	580.6	72.14

1/ Computed from unrounded data.

Table 15.--Burley tobacco: Price spreads among specified grades, average 1955-64, annual 1965-71

Period	Average price of C4F	Cents per pounds lower than C4F						
		X4F	C4R	B4F	B4FR	B4R	T4R	NIG
	Cents per pound							
Average:								
1955-59	67	1	2	3	5	7	11	25
1960-64	71	1	4	4	9	14	19	32
1965	73	1	6	5	8	13	15	28
1966	74	1	6	4	9	13	13	25
1967	75	0	3	4	7	8	9	14
1968	75	1	2	2	3	4	5	10
1969	75	1	1/6	5	8	12	13	19
1970	77	0	1/5	3	5	8	10	18
1971	82	1	1/1	1	1	1	2	11

1/ C4K grade.



placements dwindled to a negligible .04 percent of marketings.

Auction prices for the 1971 burley crop (including resales) averaged 81 cents a pound—9 cents above the previous year's level. Average gain by States ranged from 7 to 13 cents (table 14). Average prices by markets ranged from 79.2 cents per pound in West Jefferson, N.C., to 82.2 cents in Carrollton, Ky.

Markets opened November 22, and the season ended February 10 at Lexington, Ky. Sales of the smaller crop took 6 fewer days than for the 1970 crop. About 82 percent of the estimated crop was sold by December 16, when markets closed for the holidays.

For better grades, prices were up 4 to 7 cents a pound. Lower quality grades advanced 10 to 17 cents per pound. As a result, price spreads between major cigarette grades and medium-and-heavy-bodied grades narrowed again as they have for several years (table 15).

MARYLAND

Auctions Open April 18

Auctions for the 1971 crop of Maryland tobacco (type 32) open April 18 and continue through June 23. Sales will also be held by the hogshead market. Maryland tobacco does not receive price support.

The 1970 crop (marketed mostly in 1971) brought the highest average price on record, 78.6 cents a pound. This was 5 percent above the preceding season; marketings increased but remained below the 1966-68 average.

1971/72 Supplies at 26-year Low

Last year's disappearance brought the January 1 stocks down 4 million pounds. Growers produced about the same size crop as the previous year, so this year's supply is 5 percent below 1970/71 and the lowest since 1945/46 (table 16). Use may decline from the past marketing year's level in part due to record-high prices and reduced supplies.

Exports during the first third of the current marketing year (October 1971-January 1972) were 1.5 million pounds below a year earlier, in part due to the dock strike. West Germany took more, but Switzerland, the chief destination, took considerably less.

Less Output for 1972

Based on March 1 intentions, farmers will raise about 27,000 acres this year, 4 percent less than in 1971. Acreage allotments are not in effect and have not been for the past 6 years. Assuming an average yield, about 29 million pounds would be produced from the 1972 intended acreage, slightly below the estimated 1971 outturn. Carryover next January 1 will likely fall below this year's 46 million pounds. So the 1972/73 supply—projected output plus tentative carryover—may total one-eighth below this year's 76 million pounds.

FIRE-CURED

Record Prices

The larger volume fire-cured crop (types 21-23) sold for record-high prices. The quality of offerings improved over 1970 for the Virginia crop (type 21) but declined for Kentucky-Tennessee (types 22-23). Auction sales began in early December for Virginia fire-cured and in early January for types 22-23. Final sales were held on March 7.

Most grades averaged higher. Deliveries to associations under the loan program were the lowest on record. The average price of 60 cents per pound, for the 1971 crop (types 21-23) was up 6 cents from the previous year. Volume of producer marketings increased 16 percent.

Exports Turn Down

Exports of Kentucky-Tennessee fire-cured during the first third of the current marketing year (October 1971-January 1972) dropped to 5.5 million pounds from the year earlier level of 8.2 million. With the dock tieup, the decrease was in shipments to the Netherlands, the major destination, and to Belgium. Exports of Virginia fire-cured declined with less going to Norway.

Foreign fire-cured production gained about 9 million pounds last year as Malawi's production recovered further and Italy's output jumped. So U.S. exports may not gain this marketing year. Here in the United States, snuff output is steadying and plug chewing is trending down. Following last season's cyclical low, domestic use of fire-cured types in 1971/72 may improve (table 17).

Prospective Acreage Up

Acreage of fire-cured types in 1972 will gain 8 percent according to farmers' intentions as of March 1. No change is indicated for type 21 and a 10 percent gain for types 22-23.

Acreage allotments for most farms growing Kentucky-Tennessee fire-cured were increased 10 percent. Virginia allotments were held the same.

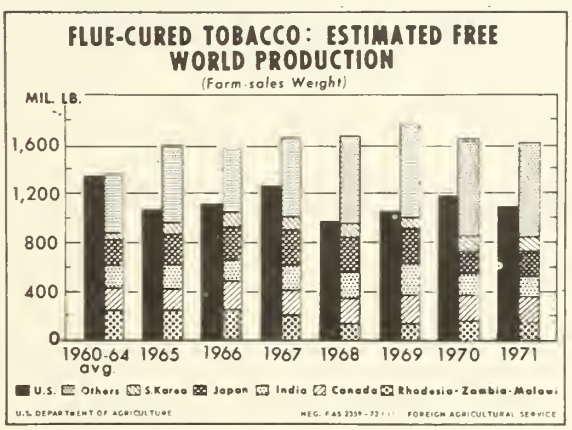
Table 16.--Maryland tobacco, type 32: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1967-72

(Farm-sales weight)

Marketing year	Acreage harvested	Yield per acre	Production	Stocks, following January 1 -- Manufacturers and other	Stocks, following January 1 -- Under loan	Stocks, following January 1 -- Total	Total supply
	Thousand acres	Pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1967	31.5	1,030	32.4	68.2	18.1	86.3	118.7
1968	30.0	1,065	32.0	74.5	7.0	81.5	113.5
1969	28.0	1,000	28.0	66.7	0	66.7	94.7
1960	27.0	1,090	29.4	50.1	0	50.1	79.5
1971 1/	28.0	1,060	29.7	46.0	0	46.0	75.7

Marketing year	Disappearance 2/ Total	Disappearance 2/ Domestic	Disappearance 2/ Exports	Average price per pound	Price support level	Placed under Government loan Quantity	Placed under Government loan Percentage of crop
	Million pounds	Million pounds	Million pounds	Cents		Million pounds	Percent
1967	36.0	20.3	15.7	62.4		No price support	
1968	48.7	38.3	10.4	69.8		No price support	
1969	41.3	29.1	12.2	75.1		No price support	
1970	39.5	27.7	11.8	78.6		No price support	
1971	Auctions scheduled to start April 18, 1972.					No price support	
1972						No price support	

1/ Subject to revision. 2/ Year beginning October 1.



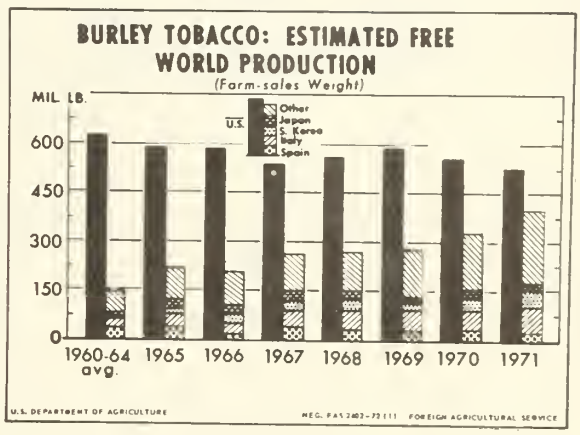


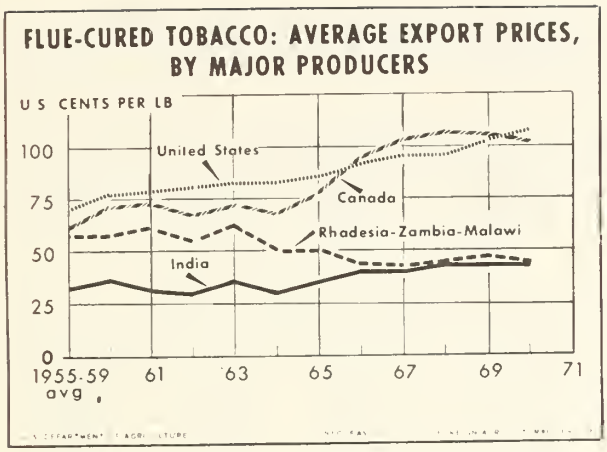
Table 17.--Fire-cured tobacco, Kentucky-Tennessee types 22-23, and Virginia fire-cured type 21: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1967-72

(Farm-sales weight)

Marketing year beginning October 1	Acreage harvested	Yield per acre	Production	Beginning stocks, October 1 -- Manufacturers and other	Beginning stocks, October 1 -- Under loan	Beginning stocks, October 1 -- Total	Total supply
	Thousand acres	Pounds	Million pounds				
Kentucky-Tennessee fire-cured, types 22-23							
1967	17.3	1,702	29.5	64.0	27.3	91.3	120.8
1968	17.9	1,822	32.6	57.3	21.5	78.8	111.4
1969	19.0	1,797	34.1	61.1	11.6	72.7	106.8
1970	17.7	1,749	30.9	54.1	9.7	63.8	94.7
1971 1/	19.7	1,909	*37.2	48.6	4.7	53.3	90.5
Virginia fire-cured, type 21							
1967	5.4	1,290	7.0	12.1	2.7	14.8	21.8
1968	4.9	1,205	5.9	8.9	2.8	11.7	17.6
1969	5.0	1,340	6.7	8.0	1.9	9.9	16.6
1970	5.0	1,230	6.2	8.4	1.4	9.8	16.0
1971 1/	5.0	1,250	*5.8	8.0	1.0	9.0	14.8

Marketing year beginning October 1	Disappearance: Total	Disappearance: Domestic	Disappearance: Exports	Average price per pound	Price support level	Placed under Government loan: Quantity	Placed under Government loan: Percentage of crop
	Million pounds			Cents		Million pounds	Percent
Kentucky-Tennessee fire-cured, types 22-23							
1967	42.0	14.9	27.1	46.2	41.9	.8	2.7
1968	38.7	2/19.1	19.6	51.1	43.1	.4	1.2
1969	43.0	18.5	24.5	48.1	44.6	1.9	5.6
1970	41.4	13.1	28.3	54.4	56.6	3/	.1
1971				*60.8	48.5	3/	.1
1972					**50.8		
Virginia fire-cured, type 21							
1967	10.1	3.4	6.7	40.9	41.9	.7	10.1
1968	7.7	3.0	4.7	46.9	43.1	.2	3.4
1969	6.8	1.7	5.1	53.1	44.6	.1	1.5
1970	7.0	2.4	4.6	52.0	46.6	.1	2.0
1971				*55.0	48.5	.1	1.0
1972					**50.8		

1/ Subject to revision. 2/ Includes 4.7 million pounds fire loss, April 1969. 3/ Less than 50,000 pounds. * Indicated by sales data. ** Estimated.



If the yield per acre is average (with allowance for trend) production of the combined fire-cured types would total around 47 million pounds, one-tenth above the 1971 crop marketings.

Carryover of fire-cured next October 1 may be around 57 million pounds, 5 million less than October 1. Such stocks, plus the projected larger crop, would provide a supply about the same as the 104 million pounds for the current year.

DARK AIR-CURED

Steady to Higher Prices

Better quality and higher prices prevailed for the sale of the 1971 crop of Green River and Virginia sun-cured tobacco (types 36 and 37). Poor quality held the overall average steady for One Sucker (type 35). Volume was 1 percent larger. Auction sales started in early December and closed in early February.

Most grade averages were higher but government loan placements increased. For type 35, which has the largest volume, prices averaged about the same. Type 36 prices averaged 3.9 cents per pound higher; type 37 gained 0.2 cent.

The 1971/72 supply of dark air-cured, at 70 million pounds, is down about 5 percent. Supplies of both types 35-36 and Virginia sun-cured are lower (table 18).

Domestic Use Lower, Exports Gain

Plug, twist, and fine-cut chewing tobaccos are the chief domestic outlets for dark air-cured tobacco. Output of these products has trended down, and the decline continued in October-December 1971 (first quarter of the current marketing year).

Low level exports of One Sucker and Green River leaf prevailed in October 1971-January 1972. A large part of dark air-cured exports go to African destinations in the form of Black Fat, a semiprocessed product. In October 1970-January 1971, Black Fat exports were 216,000 pounds below the year-earlier level.

Intended Acreage Down

Farmers this year plan to harvest the same acreage of dark air-cured (including sun-cured). For most farms growing these types, acreage allotments are unchanged from 1971. Based on an average yield per acre, with allowance for trend, 1972 production of dark air-cured and sun-cured would be nearly 17 million pounds. This would be about the same as marketings from the 1971 crop.

Utilization is expected to exceed this season's marketings, so carryover of dark air- and sun-cured types next October 1 probably will decline from last October's 53 million pounds. The indicated carryover plus this year's projected crop would result in a smaller supply.

CIGAR TOBACCO

Prices and Price Support

Buyers paid 3-5 cents per pound more last season for the 1971 filler and binder crops. A sizable proportion of the Connecticut binder crop again went under loan. Season average price and production data for the 1971 cigar tobacco crops are scheduled for release May 11.

Fire-cured and dark air-cured tobacco: Acreage and production, 1970-72

Type	Acreage				Production			
	1970	1971	1972[1]	Change from 1971	1970	1971[2]	1972[3]	Change from 1971
	1,000 acres	*1,000 acres*	*1,000 acres*	*Percent*	*Million pounds*	*Million pounds*	*Million pounds*	*Percent*
Fire-cured								
Virginia, 21	5.0	5.0	5.0	0	6.2	5.8	---	---
Ky. -Tenn., 22	13.6	15.3	16.8	+10	24.4	29.7	---	---
Ky. -Tenn., 23	4.1	4.4	4.8	[4]+10	6.5	7.4	---	---
Total, types 21-23	22.7	24.7	26.6	+8	37.1	43.9	47	+7
Dark air-cured								
Ky. -Tenn., 35	5.8	6.2	6.2	0	10.9	10.9	---	---
Kentucky, 36	2.4	2.4	2.4	0	4.4	4.6	---	---
Va. sun-cured, 37	1.0	.9	.9	0	1.1	1.1	---	---
Total, types 35-37	9.2	9.5	9.5	0	16.5	16.6	16.6	0

[1] March 1 intentions. [2] Based on auction sales. [3] Based on average yield adjusted for trend. [4] Computed from unrounded data.

Table 18--Dark air-cured tobacco, types 35-36, and Sun-cured tobacco type 37: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1967-72

(Farm-sales weight)

Marketing year beginning October 1	Acreage harvested	Yield per acre	Production	Beginning stocks			Total supply
				Manufacturers and other	Under loan	Total	
	Thousand acres	Pounds	Million pounds				
Dark air-cured, types 35-36							
1967	9.5	1,629	15.5	39.2	21.3	60.5	76.0
1968	9.8	1,831	18.0	41.1	17.1	58.2	76.2
1969	10.1	1,793	18.1	44.1	15.0	59.1	77.2
1970	8.2	1,863	15.4	35.5	18.2	53.7	69.1
1971 1/	8.6	1,866	*15.6	35.5	14.3	49.8	65.4
Sun-cured, type 37							
1967	1.2	1,090	1.3	4.2	0	4.2	5.5
1968	1.1	1,095	1.2	3.9	0	3.9	5.1
1969	1.1	1,225	1.3	3.8	0	3.8	5.1
1970	1.0	1,100	1.1	3.3	0	3.3	4.4
1971 1/	.9	1,200	*1.1	3.2	0	3.2	4.3

	Disappearance			Average price per pound	Price support level	Placed under Government loan	
	Total	Domestic	Exports			Quantity	Percentage of crop
	Million pounds			Cents		Million pounds	Percent
Dark air-cured, types 35-36							
1967	17.8	14.8	3.0	40.8	37.3	1.4	9.0
1968	17.1	15.0	2.1	47.4	38.3	.7	3.9
1969	23.5	21.2	2.3	40.3	39.7	4.8	26.5
1970	19.3	16.0	3.3	46.0	41.4	1.0	6.8
1971				*47.2	43.1	.4	2.5
1972					**45.2		
Sun-cured, type 37							
1967	1.6	1.2	.4	45.2	37.3	2/25	1.9
1968	1.3	1.1	.2	53.2	38.3	2/1	.1
1969	1.8	1.5	.3	52.8	39.7	2/1	.1
1970	1.3	1.1	.2	53.8	41.4	2/3	.3
1971				*54.0	43.1	0	---
1972					**45.2		

1/ Subject to revision. 2/ Quantity placed under loan reported in thousand pounds. * Indicated by sales data. ** Estimated.

The overall prices support levels for the 1972 crops of cigar leaf tobacco are about 4.8 percent higher than for the 1971 crops.

For many years, the Puerto Rican Government has allocated annual poundage quotas to cigar filler growers and made supplemental payments. Government price support is not in effect for Pennsylvania tobacco (type 41) and shade-grown cigar wrapper (types 61-62).

Cigar Filler and Binder Allotments

For most farms growing cigar filler and binder tobacco (types 42-44, 52-55) USDA set 1972 acreage allotments about the same as 1971. Because some farms went out of production, the national acreage allotment is 1 percent smaller than in 1971. Also, USDA is reallocating allotments from growers who did not wish to use their allocated acreage this year to those who wanted to increase their crop.

In January, USDA kept allotments the same for most farms growing cigar binder (types 51-52). These Connecticut-Massachusetts supplies continue substantially below normal and again this year USDA terminated quotas for types 51-52.

U.S. and Puerto Rican Supplies Lower

Supplies of U.S. and Puerto Rican cigar tobacco are down 6 percent from the past marketing year. Production was lower, but most of the decline occurred in carryover. Cigar filler largely accounted for the drop, but wrapper supplies also fell (table 19).

March 1 grower intentions indicate larger acreages of cigar tobacco this season. Based on average yield, the crop may stay the same. The prospective acreage gain is among cigar filler types. Filler experienced an improved market last year. Cigar wrapper acreage went down sharply the past 3 years, but manufacturers apparently do not need to further reduce acreage. Despite price gains for several years, Wisconsin binder tobacco growers plan about the same acreage. When USDA completes the acreage reallocation, acreage for harvest is expected to gain.

Cigar tobacco: Prospective and projected production, 1972

Class and type	Acreage[1]		Production[2]	
	Amount	Change from 1971	Amount 1971	Change from 1971
	Thou. acres	*Pct.*	*Mil. lb.*	*Pct.*
Filler				
Pennsylvania	17.5	+3	31.4	+1
Ohio	2.1	+11	3.6	+7
Total	19.6	+4	35.0	+2
Binder				
Connecticut Valley	1.6	0	2.8	-5
Wisconsin	10.5	+1	21.2	+1
Total	12.1	+1	24.0	0
Wrapper				
Connecticut Valley	4.6	-2	6.4	-12
Georgia-Florida	3.0	+2	4.6	-2
Total	7.6	0	11.0	-8
Total, all types	39.4	+2	70.0	-1

[1] Based on farmers' intentions as of March 1. [2] Based on average yield adjusted for trend.

The Puerto Rican filler crop, planted in late 1971 for harvest in early 1972, is tentatively estimated at 4 million pounds, slightly below last year's record low harvest.

Less foreign cigar tobaccos arrived in the United States last year. The average import value of cigar filler and scrap tobacco brought in last year was 30 cents per pound.

Domestic Use Estimate Steady

Cigar makers may sell more cigars this year, but

Foreign-grown cigar leaf tobacco: U.S. imports and stocks, 1969-72

(Farm-saleweight)

Country of origin	General imports			Imports for consumption			Dealers and manufacturers stocks, January 1			
	1969	1970	1971	October-September	October-January		1969	1970	1971	1972
				1970-71	1970-71	1971-72				
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*
Philippines	40.1	32.7	28.2	46.7	12.2	8.4	40.0	38.4	40.4	31.6
Dominican Rep.	10.1	11.4	14.2	13.3	3.8	3.2	11.3	10.6	9.8	9.2
Brazil	4.9	7.4	8.9	6.4	1.8	3.7	9.2	7.3	8.0	7.3
Colombia	10.2	5.0	7.2	7.5	1.9	2.5	9.6	9.4	8.6	6.4
Paraguay	12.0	4.2	1.5	2.8	.8	1.4	4.0	10.0	9.0	5.6
Mexico	4.2	4.7	4.2	5.0	1.5	.8	4.4	4.9	6.7	5.7
Indonesia	.7	4.2	3.1	4.0	2.2	.7	3.6	2.8	2.9	4.1
All others	14.9	20.3	18.1	21.9	5.4	11.1	8.8	11.4	13.5	13.0
Total	97.1	89.9	85.4	107.6	29.6	31.9	90.9	94.8	98.9	82.9

Table 19.--Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, for 1967-71

(Farm-sales weight)

Crop year	Acreage harvested	Yield per acre	Supply			Disappearance			Average price per pound to growers
			Production	Beginning stocks 1/	Total supply	Total	Domestic	Exports	
	Thous. acres	Pounds	Million pounds						Cents
Pennsylvania Seedleaf Filler (type 41)									
1967	21.0	1,825	38.3	112.3	150.6	41.9	41.3	0.6	28.0
1968	21.0	1,775	37.3	108.7	146.0	40.9	40.0	.9	30.0
1969	20.0	1,875	37.5	105.1	142.6	45.3	44.7	.6	30.0
1970	18.0	1,775	32.0	97.3	129.3	42.3	42.1	.2	31.0
1971 2/	17.0	1,825	31.0	87.0	118.0				
Ohio, Miami Valley Filler (types 42-44)									
1967	2.3	1,580	3.6	15.5	19.1	6.2	6.2	---	29.0
1968	2.0	1,670	3.4	12.9	16.3	5.4	5.4	---	31.0
1969	1.7	1,650	2.8	10.9	13.7	4.7	4.7	---	32.5
1970	1.6	1,750	2.9	9.0	11.9	4.1	4.1	---	38.0
1971 2/	1.9	1,750	3.3	7.8	11.1				
Puerto Rico Filler (type 46) 3/									
1967	7.6	1,419	10.8	40.5	51.3	16.9	16.9	---	4/33.1
1968	6.0	1,282	7.6	34.4	42.0	16.2	16.2	---	4/33.3
1969	4.7	1,303	6.1	25.8	31.9	12.6	12.6	---	4/33.6
1970	3.2	1,397	4.5	19.3	23.8	8.7	8.7	---	4/36.5
1971 2/	3.0	1,350	4.0	15.1	19.1				
Total Cigar Filler (types 41-46)									
1967	30.9	1,707	52.7	168.3	221.0	65.0	64.4	.6	29.1
1968	29.0	1,666	48.3	156.0	204.3	62.5	61.6	.9	30.5
1969	26.4	1,759	46.4	141.8	188.2	62.6	62.0	.6	30.6
1970	22.8	1,722	39.4	125.6	165.0	55.1	54.9	.2	32.1
1971 2/	21.9	1,751	38.3	109.9	148.2				
Connecticut Valley Binder (types 51-52)									
1967	1.5	1,819	2.7	16.4	19.1	7.9	5.7	2.2	54.5
1968	1.6	1,808	2.8	11.2	14.0	5.1	4.7	.4	59.5
1969	1.6	1,434	2.3	8.9	11.2	4.2	3.9	.3	58.2
1970	1.7	1,756	2.9	7.0	9.9	2.7	2.4	.3	65.5
1971 2/	1.6	1,848	3.0	7.2	10.2				
Southern Wisconsin Binder (type 54)									
1967	3.8	1,905	7.2	20.7	27.9	8.0	8.0	---	34.4
1968	3.7	1,990	7.4	19.9	27.3	7.7	7.7	---	36.8
1969	3.7	1,740	6.4	19.6	26.0	9.3	9.3	---	40.2
1970	4.4	2,135	9.4	16.7	26.1	7.3	7.3	---	50.3
1971 2/	5.2	2,150	11.2	18.8	30.0				
Northern Wisconsin Binder (type 55)									
1967	4.5	1,975	8.9	29.3	38.2	9.3	8.9	.4	34.1
1968	4.0	1,670	6.7	28.9	35.6	14.9	14.5	.4	37.9
1969	3.7	1,815	6.7	20.7	27.4	8.8	8.5	.3	43.4
1970	4.4	2,055	9.0	18.6	27.6	9.2	9.1	.1	52.0
1971 2/	5.2	1,900	9.9	18.4	28.3				

See footnotes at end of table.

Continued --

Table 19.--Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, for 1967-71--Cont.

(Farm-sales weight)

Crop year	Acreage harvested	Yield per acre	Supply			Disappearance			Average price per pound to growers
			Production	Beginning stocks 1/	Total supply	Total	Domestic	Exports	
	Thous. acres	Pounds	Million pounds						Cents
Total Wisconsin Binder (types 54-55)									
1967	8.3	1,943	16.1	50.0	66.1	17.3	16.9	0.4	34.2
1968	7.7	1,824	14.1	48.8	62.9	22.6	22.2	.4	37.3
1969	7.4	1,778	13.1	40.3	53.4	18.1	17.8	.3	41.8
1970	8.8	2,095	18.4	35.3	53.7	16.5	16.4	.1	51.1
1971 2/	10.4	2,025	21.1	37.2	58.3				
Total Cigar Binder (types 51-55)									
1967	9.8	1,924	18.8	66.4	85.2	25.2	22.6	2.6	37.1
1968	9.3	1,821	16.9	60.0	76.9	27.7	26.9	.8	41.0
1969	9.0	1,716	15.4	49.2	64.6	22.3	21.7	.6	44.3
1970	10.5	2,041	21.3	42.3	63.6	19.2	18.8	.4	53.1
1971 2/	12.0	2,001	24.1	44.4	68.5				
Connecticut Valley Shade-grown (type 61)									
1967	8.5	1,124	9.6	16.0	25.6	12.9	9.6	3.3	360.0
1968	8.4	1,215	10.2	12.7	22.9	10.8	9.1	1.7	280.0
1969	6.3	1,288	8.1	12.1	20.2	8.0	7.0	1.0	400.0
1970	6.0	1,535	9.3	12.2	21.5	7.6	6.6	1.0	400.0
1971 2/	4.7	1,538	7.2	13.9	21.1				
Georgia-Florida Shade-grown (type 62)									
1967	5.1	1,573	8.0	8.7	16.7	7.9	6.3	1.6	245.0
1968	5.0	1,556	7.9	8.8	16.7	9.2	7.1	2.1	270.0
1969	5.0	1,569	7.8	7.5	15.3	6.1	5.2	.9	280.0
1970	3.6	1,590	5.6	9.2	14.8	6.7	5.8	.9	270.0
1971 2/	3.0	1,582	4.7	8.1	12.8				
Total Shade-grown (types 61-62)									
1967	13.6	1,292	17.6	24.7	42.3	20.8	15.9	4.9	308.0
1968	13.4	1,343	18.1	21.5	39.6	20.0	16.2	3.8	275.7
1969	11.3	1,411	15.9	19.6	35.5	14.1	12.2	1.9	341.3
1970	9.6	1,555	14.9	21.4	36.3	14.3	12.4	1.9	350.9
1971 2/	7.7	1,555	11.9	22.0	33.9				
Grand Total Cigar Tobacco (types 41-62)									
1967	54.3	1,642	89.1	259.4	348.5	111.0	102.9	8.1	85.7
1968	51.7	1,610	83.3	237.5	320.8	110.2	104.7	5.5	85.9
1969	46.7	1,667	77.7	210.6	288.3	99.0	95.9	3.1	96.8
1970	42.9	1,762	75.6	189.3	264.9	88.6	86.1	2.5	100.9
1971 2/	41.6	1,787	74.3	176.3	250.6				

1/ October 1 for types 41-55; July 1 for types 61-62.

2/ Subject to revision.

3/ Puerto Rican planting occurs late in calendar year.

4/ Excludes payment by Puerto Rican Government.

imported tobacco accounts for about two-thirds of our total filler use and the proportion is growing larger. Due to dwindling supplies, domestic disappearance of U.S. and Puerto Rican filler tobaccos will probably fall from last marketing year's low level.

During October 1971-January 1972, cigar factories used more imported cigar tobacco (imports for consumption) than a year earlier. Of the chief sources, imports from the Dominican Republic, Colombia, and Brazil were larger

For Connecticut Valley cigar binder, disappearance in 1971/72 will probably match last season's low total since production is stabilizing around the offtake level. With steady sales prospects for loose leaf chewing tobacco and shifts away from competing tobacco, domestic disappearance of Wisconsin tobacco may gain.

Domestic use of cigar wrapper is continuing at the low level of the past 2 seasons. Exports in July 1971-January 1972 gained 1 million pounds with the United Kingdom and West Germany taking more. Stocks on January 1 fell 12 percent below a year earlier. Annual disappearance may exceed the 1971 crop of 12 million pounds, thus, dropping the July 1 carryover.

FOREIGN MARKETS

EC Policy Developments

The EC is the largest tobacco market and imports nearly one-third of total U.S. tobacco exports. In January the 4 countries joining the Common Market (the United Kingdom, Ireland, Denmark, and Norway) signed treaties which would enlarge the market to 10 countries. The treaties must be ratified in all 10 countries. The enlarged EC will account for over 60 percent of total U.S. tobacco exports.

Since 1966 the United States has expressed concern about the EC's protectionist Common Agricultural Policy (CAP) for raw tobacco which the EC began implementing in 1970. On numerous occasions U.S. officials have emphasized over the trade interference aspects of the tobacco CAP.

In recently concluded bilateral talks on trade and currency aligment, EC officials agreed that the tobacco excise tax system eventually adopted would be balanced and reasonable, and they would consult further with the United States. The United States has requested that the EC adopt a harmonized excise tax on cigarettes containing a 25 percent ad valorem element and a 75 percent specific element. But the EC made no commitment on the exact formula of the final tax.

In the recent talks the United States also discussed the EC tariff classification for leaf valued at $1.27 per pound and over. Some processed cigarette leaf now falls in this classification and bears a higher duty than lower-valued leaf. The United States prefers to have the classification abolished or recast. The EC did not agree to a change at this time, but they may negotiate the issue later.

The United States will try to resolve problems of high EC support prices and the buyer's premium during comprehensive trade negotiations beginning next year. Tobacco trade with the present and eventually enlarged EC was discussed by U.S. officials and industry representatives at a hearing before the U.S. Senate Subcommittee on Agricultural Exports in Washington, D.C., February 22-23.

Market Briefs

Last year the United Kingdom took about 5 percent less U.S. tobacco than in 1970 but Commonwealth countries supplied considerably more. The U.S. decline began well before the fourth quarter dock strike. Net clearances (domestic use) declined 4 percent as U.K. cigarette sales declined and manufacturers made numerous economies in leaf use. U.K. stocks of U.S. tobacco continue to fall with rising U.S. prices and uncertainty about future EC tobacco taxes.

Canada's flue-cured crop was an estimated 212 million pounds last year, 1 percent below 1970. Auction sales in Ontario began November 5 and totaled 161 million pounds through March 10. Sales averaged the equivalent of 66.1 U.S. cents a pound, about 0.5 cent less than last season.

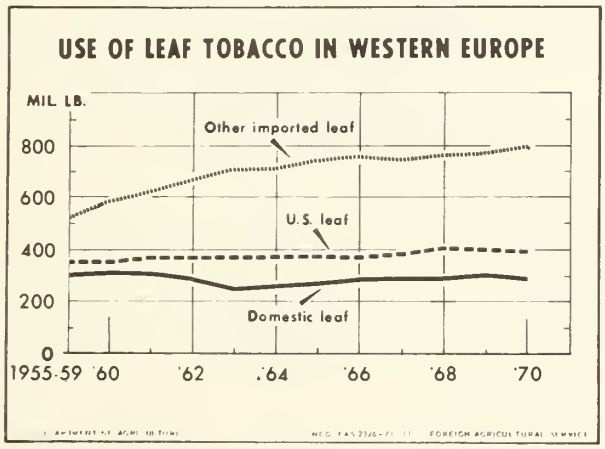
The 1972 output target for Rhodesia's flue-cured crop of 132 million pounds and the price guarantee of 32 U.S. cents a pound are unchanged from 1971. Auction sales that usually begin in March have been postponed pending further negotiations of the U.K.-Rhodesia political settlement.

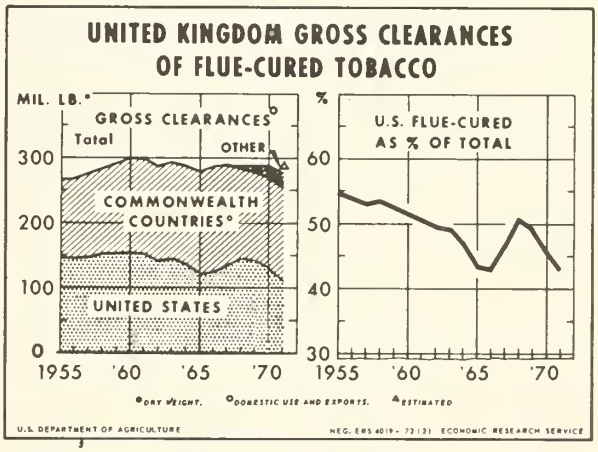
Table 20.—United Kingdom tobacco: Imports, stocks, clearances, and exports, 1969-71[1]

Item	1969	1970	1971	Item	1969	1970	1971
	Million pounds	*Million pounds*	*Million pounds*		*Million pounds*	*Million pounds*	*Million pounds*
Imports, by source:				Gross clearances:			
United States	135	117	98	Full duty rate[1]	167	166	150
Commonwealth	137	118	124	Commonwealth rate[2]	139	139	139
Other	33	49	47				
Total	305	284	269	Total	306	305	289
Exports:				Flue-cured:			
Manufactured products	50	55	54	United States	143	133	119
				Commonwealth	138	138	133
Unmanufactured	3	5	9				
Stocks, Sept. 30:				Other	11	19	25
Flue-cured	398	364	332				
Other	48	52	54	Total	290	290	277
Total	446	416	386	Net clearances:	230	229	220

[1] March 15 estimate. - - - = not available.

Compiled from Official United Kingdom sources.





Barter exports, leading destinations, 1971

Country	Amount	Country	Amount
	Mil. lb.		*Mil. lb.*
W. Germany	29.8	Malaysia	6.7
Italy	10.3	Norway	4.4
United Kingdom	32.4	Finland	4.0
Denmark	8.5	Spain	6.0
Taiwan	9.5	Netherlands	4.2

Tobacco products: Output, 1969-71

Item	1969	1970	1971[1]
	Million pounds		
Chewing tobacco			
Plug	23.3	22.0	20.6
Twist	2.5	2.4	2.4
Fine-cut	4.5	4.8	5.1
Loose leaf	39.5	39.5	43.3
Total	69.8	68.7	71.4
Snuff	27.6	26.5	26.4
Smoking tobacco in bulk (exports)	20.2	23.9	30.9
	Million		
Small cigars	720.2	933.4	1,135.5

[1] Subject to revision.

Basic data compiled from reports of the Internal Revenue Service and Consumer Marketing Service, USDA.

ECONOMIC IMPORTANCE OF THE U.S. TOBACCO INDUSTRY

by

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ABSTRACT: The U.S. tobacco industry employs several hundred thousand workers for production, processing, and marketing. Value of tobacco sales usually ranks fourth or fifth among crops. The crop utilizes about 7 percent of total farm labor. Producers spend about $300 million annually on production inputs and services. In 1967 more than 75,000 persons were employed in 329 tobacco manufacturing establishments. Payroll totaled $377 million and value added by manufacturers amounted to $2 billion. Non-tobacco materials used amounted to $387 million. Manufacturers spent $314 million advertising cigarettes in 1970. Federal, State, and local taxes amounted to about $4.9 billion last year. About half-a-million retail outlets sell tobacco products. Tobacco is also an important export commodity that contributes substantially to the U.S. balance of payments.

KEY WORDS: Tobacco production, marketing, tobacco manufacturing, value added.

The U.S. tobacco industry provides employment and incomes for over a million farmers, seasonal workers, manufacturing and service workers, and others. The economic activity centers in areas of tobacco production and manufacturing, but spreads Nationwide as tobacco products are distributed, advertised, taxed, and sold. The tobacco industry uses materials and services from other industries that stimulate general economic activity. Tobacco is also an important export.

Production and Marketing

Tobacco is grown on about 400,000 farms. In addition to the growers, tobacco provides income for many additional allotment owners, hired workers, and their families. Grown on less than 0.3 percent of the Nation's cropland, tobacco sales totaled $1.4 billion in 1970, and accounted for 2.8 percent of all farm cash receipts from marketings. Tobacco sales represented 7 percent of cash receipts from crops. It usually ranks fourth or fifth in value among cash crops and ninth among all U.S. farm commodities. About half the States produce tobacco but 6 States—North Carolina, Kentucky, Georgia, South Carolina, Virginia, and Tennessee—produce about 90 percent of the tobacco and receive 90 percent of receipts from sales. North Carolina, Kentucky, South Carolina, Virginia, Connecticut, and Tennessee each received more than a tenth of their cash farm receipts from tobacco in 1970. In Kentucky and North Carolina tobacco accounted for about one-third.

In 1970, about 445 million man-hours, amounting to 7 percent of all labor used on farms went into tobacco production. Much of the tobacco labor comes from operators and their families but most producers hire some labor due to the extremely high seasonal requirements. Tobacco production provides employment for many women and children, handicapped, older persons, and unskilled workers with few alternative employment opportunities.[1]

Cash receipts from tobacco, leading States, 1970

State	Amount	Percentage of total farm receipts
	Million dollars	*Percent*
North Carolina	576	37.3
Kentucky	303	32.9
Georgia	102	8.9
South Carolina	101	22.8
Virginia	89	14.9
Tennessee	82	11.6
Other states	135	---
Total	1,388	2.8

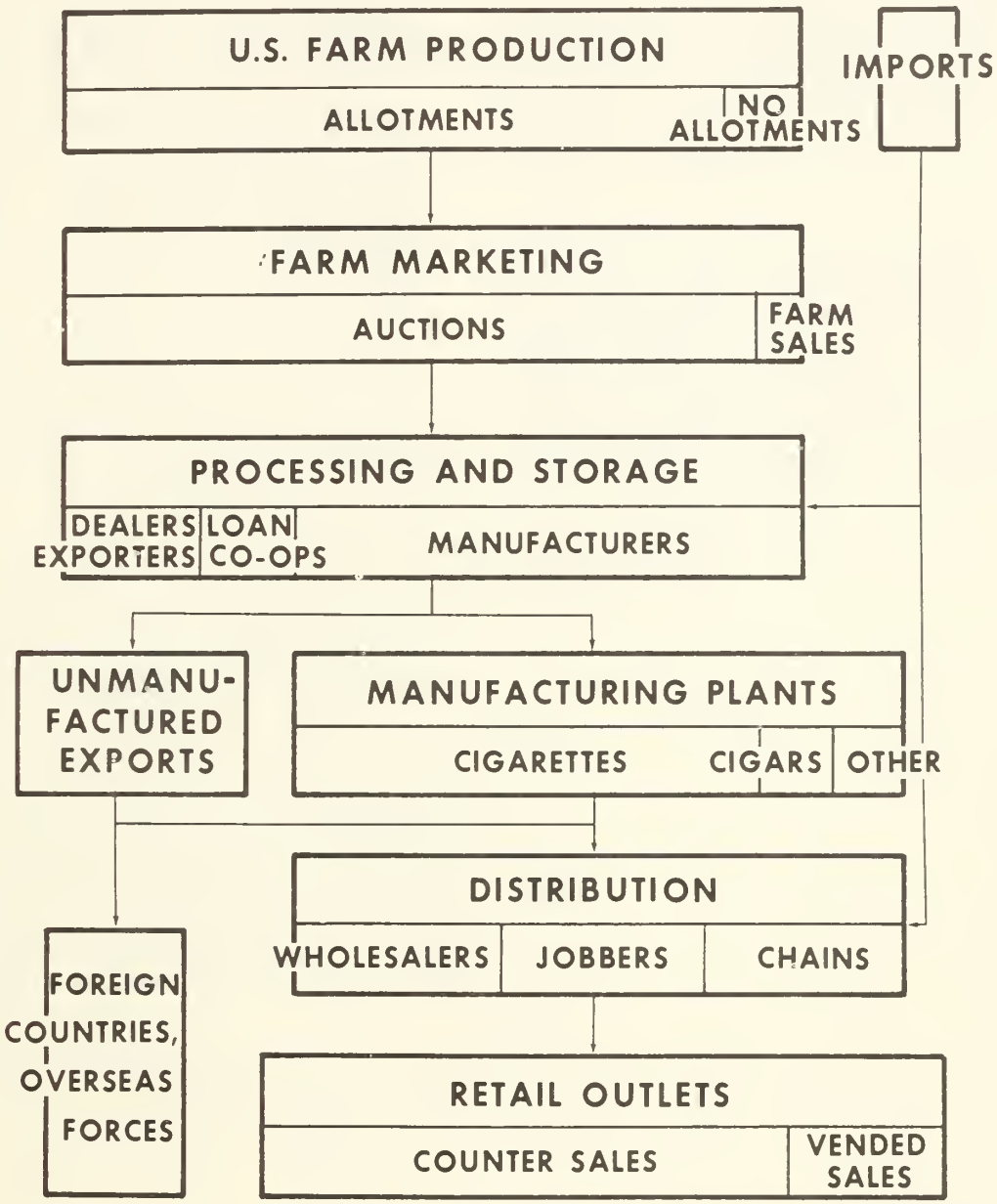
---Not available.

In addition to labor, tobacco production requires sizable inputs from service and marketing industries. Producers spend almost one-fourth of their cash receipts from tobacco for fertilizers, chemicals, gasoline, petroleum, curing facilities, machinery, custom work, transportation, warehouse charges, and other crop expenses. This amounts to about $300 million annually. U.S. growers sell about 95 percent of their tobacco through auction markets; the remainder is sold and delivered directly to manufacturers or dealers. In 1970 there were 176 tobacco markets with 898 tobacco warehouses. They had an estimated annual payroll of $15 million.

[1] *Potential Mechanization In The Flue-cured Tobacco Industry, with Emphasis on Human Resource Adjustments,* USDA, Econ. Res. Serv. Agr. Econ. Rpt. 169, 1969.

[2] Value added is the value of shipments and other receipts plus increase in inventories minus cost of material.

TOBACCO INDUSTRY FLOW CHART



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Manufacturing

Tobacco manufacturing contributes importantly to numerous State and local economies, particularly in North Carolina, Virginia, and Kentucky, where most manufacturing occurs. Cigarettes account for about 80 percent of value added by all tobacco manufacturers but other tobacco products, and stemming and redrying are also important.[2]

Most tobacco used domestically and some exports are stemmed (tough stems and veins in the center are removed) before being redried and stored. In 1967 there were 119 stemming and redrying plants concentrated mainly in towns with larger auction warehouses. These plants provide about $66 million salaries and jobs for 16,000 persons.

After a storing and aging period, manufacturers further process tobacco into consumer products. The 210 establishments making cigarettes, cigars, and chewing and smoking tobacco employed nearly 60,000 workers in 1967. Annual payroll totaled $311 million. Value added was about $1.9 billion. The 16 cigarette manufacturing establishments accounted for about 85 percent of the value added. Virtually all cigarette manufacturing takes place in North Carolina, Virginia, and Kentucky.

Value of products, three leading tobacco manufacturing States, 1967

Product	North Carolina	Kentucky	Virginia
	Million dollars	*Million dollars*	*Million dollars*
Manufactured Products (Value added)			
Food and related	399	513	394
Tobacco products	976	358	422
Textile and apparel	2,374	182	486
Furniture, wood and paper and allied	912	175	604
Chemical and allied	370	391	768
Metals, primary and fabricated	273	420	224
Electric machinery	450	548	304
Other machinery	271	584	111
Other products	574	467	767
Total	6,599	3,638	4,080
Agricultural products			
Tobacco	535	343	83
Other	761	481	428
Total	1,296	824	511
Minerals	77	536	284
Total value	7,972	4,998	4,875

Compiled from: Bureau of the Census, *1967 Census of Manufacturers*, 1971; *1968 Minerals Yearbook*. USDI, Vol. III, Area Statistics, 1968; USDA, Econ. Res. Serv., *Farm Income State Estimates 1949-1969*, 1970.

Tobacco manufacturing establishments, by regions, 1967

Industry and area[1]	Establishments	All employees		Value added	Value of production
		Number	Payroll		
	Number	*Thousands*	*Million dollars*	*Million dollars*	*Million dollars*
Tobacco stemming and redrying					
Northeast	24	---	---	---	---
South	92	14.8	61.0	116.1	1,332.3
U.S. Total	119	15.9	66.2	133.1	1,373.1
Cigarettes					
South Atlantic	12	28.3	170.5	1,281.6	2,390.0
East South Central	4	8.3	50.8	358.0	654.6
U.S. Total	16	36.6	221.3	1,639.6	3,044.6
Cigars					
Northeast	67	---	---	---	---
North Central	17	---	---	---	---
South	59	8.7	32.0	78.7	150.8
U.S. Total	148	19.0	71.2	195.8	363.7
Chewing and smoking tobacco					
Northeast	15	---	---	---	---
North Central	13	---	---	---	---
South	17	2.1	9.9	37.4	69.6
U.S. Total	46	3.6	18.1	63.5	122.2
Grand Total	329	75.1	376.8	2,032.0	([2])

[1] U.S. totals include a few establishments outside specified regions. [2] Omitted because of duplication.

Compiled from: Bureau of Census, *1967 Census of Manufacturers', Industry Statistics*, 1971.

--- = data not available.

The South Atlantic and South Central regions account for about 93 percent of value added by tobacco manufacturers. The 184 establishments (stemming, redrying, and tobacco products) provide about $1.9 billion to the economy in value added including a payroll of $324 million. Tobacco establishments in the 2 regions account for less than 1 percent of all manufacturing establishments but 5 percent of value added by manufacturers. Tobacco manufacturing employees receive about 2 percent of wages from manufacturing in the 2 regions.

Tobacco manufacturing establishments, selected States, 1967

State	Establishments	Employees		Value added
		Number	Payroll	
	Number	*Thousands*	*Million dollars*	*Million dollars*
North Carolina	45	27.3	142.8	975.9
Virginia	29	13.7	80.3	421.8
Kentucky	33	11.3	64.8	382.8
Pennsylvania	68	9.5	37.1	65.5
Florida	48	5.6	20.0	44.0
Tennessee	12	1.0	4.2	14.5
South Carolina	3	.9	3.9	10.6
Other States	91	5.8	23.7	116.9
Total	329	75.1	376.8	2,032.0

Compiled from: Bureau of Census 1967 *Census of Manufacturers, Area Statistics*, 1971.

Tobacco product manufacturers depend on numerous other industries for materials, containers, supplies, fuel, and electric energy. In 1967 tobacco plants spent about $387 million for these items. Plant and equipment expenditures were $35 million.

Advertising is another major expenditure in the tobacco industry. In 1970 about 3 cents of each dollar consumers spent for cigarettes went for advertising and promotion, or about $314 million. Sixty-five percent went for television advertising followed by newspapers, magazines, and direct promotions. However, since the ban on radio and TV advertising of cigarettes, beginning January 2, 1971, advertisement expenditures declined about one-third and magazines replaced TV as the leading media.

Advertising expenditures for cigarettes, 1970

Media	Amount
	Million dollars
Television	205.0
Newspapers and magazines	64.2
Radio	12.4
Direct	16.9
Other	16.2
Total	314.7

Federal Trade Commission Report to Congress, *Statistical Supplement, Dec. 31, 1970.*

Foreign Trade

Tobacco ranks fourth or fifth among U.S. agricultural exports in terms of value. About 30 percent of the crop is exported as unmanufactured tobacco. The value of tobacco and product exports totaled about $683 million in 1971. This included unmanufactured tobacco worth $462 million and tobacco products worth $221 million.

Exports last year far exceeded imports which totaled about $107 million, so tobacco contributed about $576 million toward the Nation's balance of payments. The movement of tobacco from redrying plants and storage warehouses to ports and then aboard ships employs many people in transportation, sales and traffic departments, as well as substantial investment in facilities.

Taxes

The U.S. government, all 50 States, and many local governments tax tobacco products. Federal, State, and local government tax revenues totaled $4.9 billion last year, an amount equal to about 39 percent of consumer expenditures for tobacco products. Nationally, excise taxes are about 3 times the amount U.S. farmers receive for their tobacco.

In 1970 tobacco taxes accounted for 1 percent of total Federal tax receipts and represented nearly 14 percent of all excise taxes. About 98 percent of the tobacco tax revenue came from cigarettes. State and local governments receive substantial amounts of tax revenue from cigarettes and other tobacco products. Since 1969 their take exceeded Federal tobacco tax collections.[3]

State tax revenues from tobacco products, selected States and total, fiscal year 1971[1]

	Amount	Percent of total taxes
	Million dollars	*Percent*
California	237.1	4.18
Illinois	161.6	5.14
Michigan	122.4	4.81
New Jersey	122.6	8.17
New York	262.6	4.20
Ohio	127.0	7.16
Pennsylvania	218.2	7.05
Texas	201.1	9.19
Other States	1,081.8	4.28
All States	2,534.4	4.92

[1] Preliminary.
Compiled from: Bureau of the Census, *State Tax Collections in 1971*, 1971.

The share of State tax revenues that came from tobacco products in the 1971 fiscal year ranged from 1.3 percent in North Carolina to 14.5 percent in New Hampshire. Total State revenue from tobacco products reached almost $2.6 billion net collections, virtually all from cigarettes.

[3] Braden, Johnny D., "The Tobacco User's Dollar—Trends and Prospects", *Tobacco Situation*, USDA, Econ., Res. Ser., Sept. 1971, pp. 39-42.

Marketing Tobacco Products

Although tobacco production and manufacturing are largely concentrated in the Southeast, manufacturers maintain pipeline stocks in public warehouses across the country. Consumers and businesses spent an estimated $12.5 billion for tobacco products during 1971, 8.5 percent more than the previous year. Expenditures on cigarettes continued to gain and accounted for 91 percent of the total. The wholesale and retail segments of the marketing bill amounted to more than $3 billion in 1970. This was in addition to the $137 million of product exports. Wholesaling of tobacco products is closely linked with the distribution of other products, particularly candy and sundries. Every State has numerous retail establishments that sell tobacco products. Excluding military bases and other restricted outlets, about half-a-million establishments sold tobacco products in 1967. Food stores represented about one-half of the retail tobacco outlets. They accounted for almost one-third of tobacco product sales.

Retail establishments selling tobacco product, number and sales, 1967

Type	Number	Sales	Tobacco sales as percentage of	
			U.S. Total	Total sale of each type
	Thousands	*Million dollars*	*Percent*	*Percent*
Food stores	100.9	2,494	48.8	4.9
Drug stores	32.8	840	16.4	9.9
Machine vendors	3.1	781	15.3	N.A.
Misc. stores	15.9	398	7.8	15.2
General merchandise	9.3	194	3.8	4.7
Gasoline stations	31.6	195	3.8	N.A.
Eating and drinking	54.6	195	3.8	4.2
All other	1.3	15	0.3	N.A.
Total	249.4	5,112	100.0	5.7

Compiled from: *Census of Business*, Merchandise line sales, retail trade, 1967.

N.A.=Not available.

Tobacco industry inputs, value added, and final product output, 1971 (estimated)

Item	Amount	
	Billion dollars	
Inputs of materials		
Farm tobacco purchases	1.33	
Tobacco from stocks (net)	.14	
Imported leaf tobacco	.09	
Non-tobacco materials	.49	
Total materials		2.05
Product imports; stock reduction		.11
Value added in processing and marketing		6.13
Excise taxes		4.92
Final product output		
Domestic expenditures	12.52	
Exports (lead and products)	.69	
Total		13.21

Table 21.--Cash receipts from farm marketings and tobacco, average 1950-59, annual 1960-71 with percentages

Period	Cash receipts				Tobacco as a percentage of—	
	Livestock and products	All crops	Total farm	Tobacco	All crops	Total cash receipts
	Million dollars				Percent	
Average:						
1950-54	17,432	13,504	30,936	1,119	8.3	3.6
1955-59	17,559	13,755	31,314	1,088	7.9	3.5
1960	18,909	15,090	33,999	1,154	7.6	3.4
1961	19,391	15,532	34,923	1,325	8.5	3.8
1962	20,025	16,162	36,187	1,321	8.2	3.7
1963	19,926	17,282	37,208	1,269	7.3	3.4
1964	19,817	17,233	37,050	1,414	8.2	3.8
1965	21,845	17,250	39,095	1,186	6.9	3.0
1966	24,836	18,383	43,219	1,211	6.6	2.8
1967	24,405	18,383	42,788	1,392	7.6	3.3
1968	25,539	18,846	44,386	1,173	6.2	2.6
1969	28,439	18,790	47,229	1,296	6.9	2.7
1970	29,595	19,636	49,231	1,388	7.1	2.8
1971 1/	29,758	21,875	51,633	1,331	6.1	2.6

1/ Preliminary.

Table 22.--Total expenditures for tobacco products, average 1950-59, annual 1960-71

Year	Total	Cigarettes	Cigars	Other 1/
	Million dollars			
Average:				
1950-54	4,904	4,088	539	277
1955-59	5,904	5,072	575	257
1960	7,187	6,244	649	294
1961	7,472	6,538	631	303
1962	7,608	6,675	634	299
1963	8,004	7,055	649	300
1964	8,113	7,024	765	324
1965	8,651	7,609	734	308
1966	9,140	8,113	718	309
1967	9,582	8,572	706	304
1968	10,112	9,094	703	315
1969	10,444	9,404	701	339
1970	11,534	10,438	707	389
1971 2/	12,520	11,410	690	420

1/ Smoking, chewing, and snuff. 2/ Preliminary; subject to revision.

Table 23.—Federal and State tax revenues from tobacco products, average 1950-59, annual 1960-71

Period	Federal				States 2/	Total Federal and State
	Cigarettes	Cigars	Chewing, smoking and snuff	Total 1/	All tobacco products 3/	
	Million dollars					
Average:						
1950-54	1,445	45	28	1,518	471	1,989
1955-59	1,658	47	18	1,723	640	2,363
1960	1,887	50	17	1,955	998	2,953
1961	1,950	50	17	2,019	1,070	3,094
1962	1,961	50	16	2,030	1,130	3,160
1963	2,047	51	17	2,116	1,225	3,341
1964	1,987	62	18	2,069	1,264	3,333
1965	2,014	58	16	2,090	1,482	3,572
1966	1,993	56	4/	2,051	1,633	3,684
1967	2,111	56	4/	2,169	1,760	3,929
1968	2,086	54	4/	2,142	2,067	4,209
1969	2,020	56	4/	2,077	2,186	4,263
1970	2,113	55	4/	2,170	2,458	4,628
1971 5/	2,098	54	4/	2,154	2,640	4,784

1/ Includes leaf dealer penalties, floor taxes, cigarette papers and tubes, etc. 2/ Includes District of Columbia. 3/ Cigarette taxes--about 98 percent of total. 4/ The Federal excise tax on chewing, smoking, and snuff was repealed effective January 1, 1966. Taxes incurred prior to repeal but paid in 1966 totaled about $510,000. 5/ Preliminary. General note: Local government taxes from tobacco products in fiscal 1969/70 totaled $129 million.

Compiled from reports of the Internal Revenue Service, the National Tobacco Tax Association, and other sources.

FACTORS AFFECTING LEAF TOBACCO PRICES

905560

by

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ABSTRACT: Two ordinary least squares equations using data in arithmetic form for 1950-67 estimated the season average price of flue-cured and burley tobacco. Independent variables were carryover stocks, current production, the average support price, time, and leaf quality. Signs were as expected except for burley stocks. Most coefficients were statistically significant. Coefficients of determination (R^2) were .96 for flue-cured equation and .94 for burley. Results of the equation duplicate actual prices closely for the 4 years following the fitted period.

KEY WORDS: Tobacco, tobacco prices, price analysis.

In an enterprise or market economy, prices are key signals that producers and consumers use in deciding about wants, resources, and technologies. Growers of most kinds of tobacco know before planting time their share of the market, i.e., marketing quota and the average loan level. Still, they must contend with uncertainties of weather, labor availability, and price fluctuations above the loan level. This article was prepared to help explain the record producer prices this past season, averaging 7 percent above the previous season, with the lowest loan receipts since World War II.

Equations (1) and (2) estimate the season average prices to growers for flue-cured and burley tobacco. These equations state that the grower price depends on carryover stocks (STK), current production (PROD), average support price, (CCC), and the leaf quality (QUAL). In view of the positive trend in prices, time (T) was also investigated as a variable, but was not found statistically significant for burley.

The percentage of tobacco falling in the 3 highest USDA grades was taken as a measure of quality. Although not available precisely until the close of the auction season, this percentage helps to explain an important part of price movement. At the beginning of the auction season, market news reports usually give some indication of quality changes.

The expectation is that the coefficients of the support price and the quality variables should be positive, and the coefficients of the stocks and crop size should be negative. Except for burley stocks, this is confirmed by the statistical results. In another formulation, using time as a variable, burley stocks had a negative coefficient as expected and a better fit for 1950-67. However, in the formulation without time the burley stocks coefficient did not differ significantly from zero and it gives a better explanation for the 4 years thereafter.

The estimated 1971 prices indicate that lower production, higher support prices, and improved quality all contributed to the season's record prices.

The results shown below were formulated by ordinary least squares procedures using data in arithmetic form for 1950-67. Figures in parentheses under the coefficients are the standard errors of the estimates. Other statistical measures shown are the coefficient of determination (R^2)—the percentage of variation in the dependent variable explained by the independent variables, the standard error of the equation (S.E.) and the Durbin-Watson statistic, a measure of the degree of autocorrelation (D.W.).

(1) PFLUE = 63.9 + .861 T - .00833 FSTOK - .0110 FCROP
(.311) (.00250) (.003)

+ .355 FCCC + .314 FQUAL
(.281) (.108)

S.E. = 1.20 R^2 = .960 D.W. = 1.87

(2) PBURL = 20.1 + .00803 BSTOK - .0337 BCROP
(.00656) (.00842)

+ .789 BCCC + .248 BQUAL
(.1390) (.114)

S.E. = 2.63 R^2 = .942 D.W. = 2.07

These formulas indicate that most of the price variation is explained by supply conditions. Johnson[1] and Vernon *et al*[2] explain how the supply-disappearance ratio helps in explaining leaf prices. However, the ratio obscures whether the numerator or the denominator is most significant. Inclusion of a separate disappearance variable did not improve the statistical results.

Manufacturers, dealers, and exporters have the alternative of purchasing loan stock tobacco, so the sales policy for loan stocks is a critical factor affecting any price forecast. For the most part, CCC sets prices to encourage users to purchase the great bulk of their requirements directly from auction markets.

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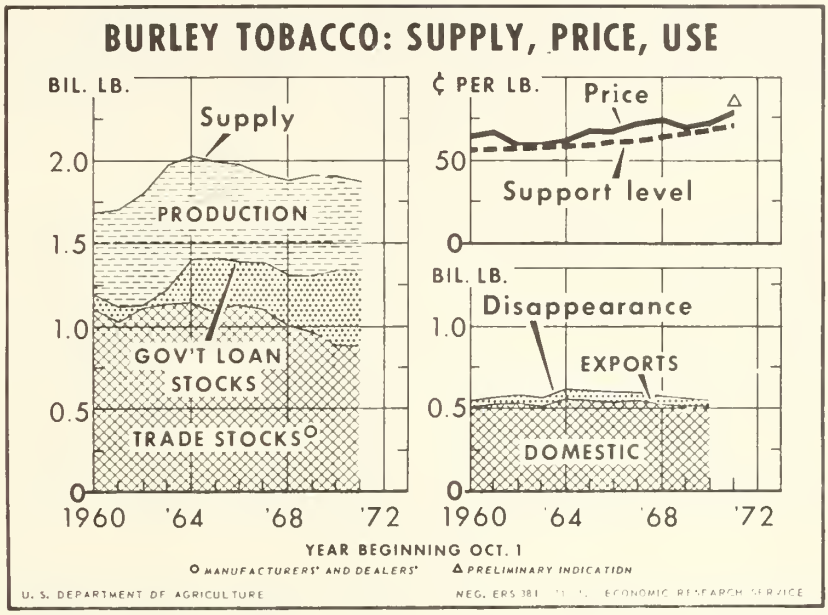
[1] Johnson, Glenn L., *Burley Tobacco Control Programs*, Ky. Agric. Expt. Sta. Bul. 580, 1952.

[2] Vernon, John M., Jr., Rives, Norfleet W., and Naylor, Thomas H., "Econometric Model of the Tobacco Industry," *Review of Economics and Statistics*, Vol. II, May 1969, pp. 149-58.

Table 24 contains actual tobacco prices and formula estimates. On the basis of the close fit during the period fitted, and the 4 years following, I conclude that the formulas do a reasonably good job of simulating the price behavior of the tobacco industry.



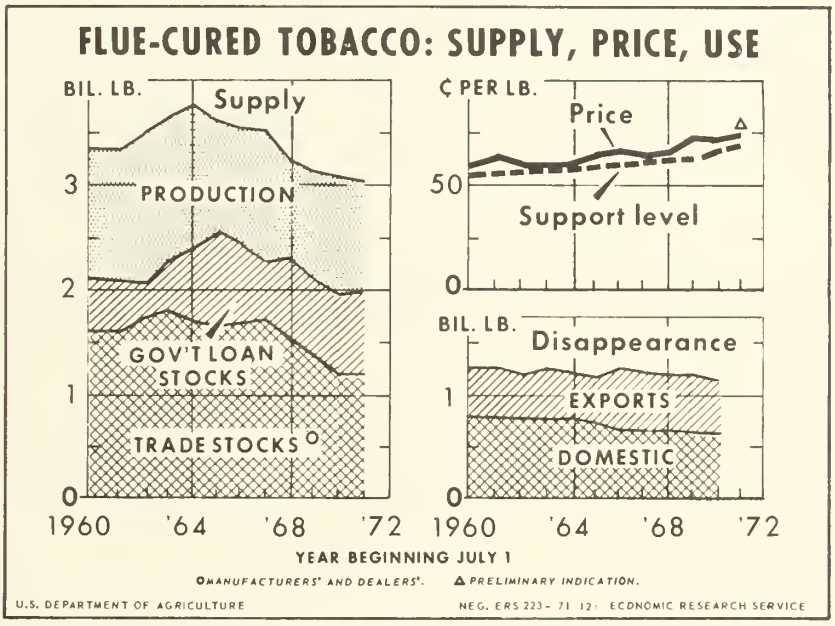


Table 24.--Flue-cured and burley prices, actual and calculated, 1950-72 1/

Year	Flue-cured					Burley				
	Price per pound				Quality, change from previous year	Price per pound				Quality, share in 1, 2, 3, qualities
	Price support level	Actual season average	Calculated	Actual minus calculated		Price support level	Actual season average	Calculated	Actual minus calculated	
	- - - - Cents - - - -				Percent	- - - - Cents - - - -				Percent
1950	45.0	54.7	54.6	0.1	+4.7	45.7	49.0	51.8	-2.8	18.1
1951	50.7	52.4	51.4	1.0	-9.9	49.8	51.2	51.2	0	19.5
1952	50.6	50.3	50.5	-.2	-6.4	49.5	50.3	51.5	-1.2	23.3
1953	47.9	52.8	52.4	.4	+2.5	46.6	52.5	55.0	-2.5	31.7
1954	47.9	52.7	54.4	-1.7	+2.0	46.4	49.8	49.3	.5	22.5
1955	48.3	52.7	52.4	.3	-.5	46.2	58.6	59.0	-.4	30.2
1956	48.9	51.5	50.1	1.4	-6.2	48.1	63.6	57.8	5.8	25.7
1957	50.8	55.4	55.7	-.3	+2.4	51.7	60.3	60.8	-.5	24.2
1958	54.6	58.2	58.0	.2	-2.8	55.4	66.1	64.0	2.1	22.7
1959	55.5	58.3	59.7	-1.4	-3.2	57.2	60.6	62.4	-1.8	17.2
1960	55.5	60.4	60.1	.3	+.5	57.2	64.3	63.9	.4	22.1
1961	55.5	64.3	63.4	.9	+5.7	57.2	66.5	62.6	3.9	32.0
1962	56.1	60.1	60.2	-.1	-7.6	57.8	58.6	58.1	.5	24.4
1963	56.6	58.0	60.0	-2.0	-.3	58.3	59.2	57.5	1.7	28.3
1964	57.2	58.5	59.2	-.7	-3.2	58.9	60.3	63.6	-3.3	26.6
1965	57.7	64.6	64.0	.6	+1.2	59.5	67.0	67.0	0	34.0
1966	58.8	66.9	65.4	1.5	-1.7	60.6	66.9	67.9	-1.0	34.6
1967	59.9	64.2	66.7	-2.3	-.7	61.8	71.8	73.3	-1.5	46.7
1968	61.6	66.6	70.3	-3.7	+.8	63.5	73.7	73.6	.1	47.9
1969	63.8	72.4	73.7	-1.3	+.9	65.8	69.6	71.9	-2.3	37.3
1970	66.6	72.0	75.3	-3.3	+.2	68.6	72.2	75.3	-3.1	37.3
1971	69.4	77.2	78.3	-1.1	+1.9	71.5	80.9	81.4	-.5	2/48.0
1972 2/	72.7	---	80.4	---	3/-2.2	74.9	---	80.8	---	3/43.4

1/ See text for regression equations.

2/ Estimated.

3/ Based on 1967-71 percentages.

Title	Issue
SPECIAL ARTICLES	
Tobacco Acreage and Yields--Trends and Prospects	March
Trends in Cash Receipts from Tobacco	June
Tobacco Use in Cigarettes--Trends and Potentials	September
The Tobacco User's Dollar--Trends and Prospects	September
Seasonality of Manufactured Tobacco Products and Leaf Exports	December
TABLES	
TOBACCO PRODUCTS	
Cigarette prices, wholesale	September
Expenditures for cigarettes, cigars, other	March, September
Production and use	
Cigars, Cigarettes, other manufactured products	Each issue
Cigarette output, filter and nonfilter	March
Consumption per capita, 18 and older	March, September
Tobacco used in cigarettes	September
Taxes, excise	March, September
Tobacco manufacturing corporations: Net sales, net income, ratios	June
FOREIGN TOBACCO TRADE AND PRODUCTION	
U.S. imports	
Principal sources, by types, general and for consumption	Each issue
Value per pound	June
U.S. exports	
Principal destinations, by types	Each issue
Government program shipments	March, September
Flue-cured exports, percentage in stemmed form	September
World tobacco trade	
EEC imports	June
Exports, total, and U.S. share	June
Exports, specified countries	June
Imports, specified countries, and United States	June
United Kingdom trade	Each issue
World production	
Total and U.S. share	June
Specified countries	December
U.S. PRODUCTION, MARKETING, AND USE	
Allotments and price support program	
Allotments	
Flue-cured quota, marketings, carryover	December
Flue-cured lease and transfer	September
Number, acres and average size	September
Price support program	
Commodity Credit Corporation expenditures	September
Computations for price support level adjustment factor	March
Marketing quota referendum results	March
Marketing	
Burley and flue-cured	
Gross burley sales and average price by States	March
Price spreads among grades	March
Gross flue-cured sales, average prices, loan placements by belts	December
Cash receipts	
Tobacco compared to all farm marketings, U.S. and States	June, September
Tobacco and total farm marketings, United States	March
Production	
Acreage by types	March
Acreage and yield per acre, by types	June, September, December
Prospective plantings as compared with acreage harvested	March
Supply, utilization, and prices	
Flue-cured and burley stocks held by trade and under loan	June
Flue-cured, burley, Maryland	Each issue
Fire-cured, dark air-cured, and cigar types	Each issue
Total tobacco, United States and Puerto Rico	December

Item	Unit or base period	1971		1972			Last data as percentage of a year earlier
		Jan.	Feb.	Jan.	Feb.		
Average price at auctions							
Flue-cured	Ct. per lb.	C - l - o - s - e - d		C - l - o - s - e - d			---
Burley	Ct. per lb.	71.4	67.8	83.3	78.5		116
Maryland	Ct. per lb.	C - l - o - s - e - d		C - l - o - s - e - d			---
Virginia fire-cured	Ct. per lb.	52.0	52.9	55.5	52.7		100
Ky.-Tenn. fire-cured	Ct. per lb.	53.8	56.5	62.0	58.7		104
Ky.-Tenn. dark air-cured	Ct. per lb.	46.6	45.6	46.3	Closed		99
Virginia sun-cured	Ct. per lb.	54.7	48.8	55.7	44.7		92
Support price 1/							
Flue-cured	Ct. per lb.	69.4		*72.7			105
Burley	Ct. per lb.	71.5		*74.9			105
Maryland	Ct. per lb.	No support		No support			---
Virginia fire-cured	Ct. per lb.	48.5		*50.8			105
Ky.-Tenn. fire-cured	Ct. per lb.	48.5		*50.8			105
Ky.-Tenn. dark air-cured	Ct. per lb.	43.1		*45.2			105
Virginia sun-cured	Ct. per lb.	43.1		*45.2			105
Connecticut Valley cigar binder	Ct. per lb.	49.5		*51.9			105
Wis. binder and Ohio filler	Ct. per lb.	35.8		*37.5			105
Puerto Rican filler	Ct. per lb.	37.1		*38.9			105
Parity index 2/	1967=100	117	118	123	124		105
Industrial production index 3/	1967=100	105	106	108	109		103
Employment	Mil.	77.2	77.3	79.1	79.4		103
Personal income 4/	Bil. dol.	829.9	832.4	892.0	896.9		108
		1970-71		1971-72			
		Dec.	Jan.	Nov.	Dec.	Jan.	
Taxable removals							
Cigarettes	Bil.	41.2	45.6	46.1	39.6	43.2	95
Cigars and cigarillos	Mil.	596.4	573.0	615.9	516.9	534.6	93
Accumulated from Jan. 1							
Cigarettes	Bil.	532.8		489.2	528.9		99
Cigars and cigarillos	Mil.	7,983.6		7,113.1	7,729.0		97
Invoiced to domestic customers							
Accumulated from Jan. 1							
Smoking tobacco	Mil. lb.	65.6			61.3		93
Chewing tobacco	Mil. lb.	68.2			71.8		105
Snuff	Mil. lb.	26.7			26.6		100
Tax-exempt removals							
Cigarettes	Bil.	4.1	3.6	2.7	2.9	4.8	133
Exports	Bil.	2.4	2.4	1.2	2.0	2.6	108
Cigars and cigarillos	Mil.	12.9	13.3	7.5	12.4	21.5	162
Accumulated from Jan. 1							
Cigarettes	Bil.	51.2		46.5	49.2		96
Exports	Bil.	29.1		30.6	31.8		109
Cigars and cigarillos	Mil.	161.8		118.9	131.3		81
Invoiced for export							
Accumulated from Jan. 1							
Smoking tobacco	Mil. lb.	1.5			1.4		93
Chewing tobacco	Mil. lb.	.3			.2		67
Wholesale price indexes 5/							
Cigarettes (reg. nonfilter)	1967=100	121.1	120.4	119.7	119.7	121.7	101
Cigars	1967=100	106.6	106.5	109.5	109.5	109.0	102
Smoking tobacco	1967=100	118.8	118.4	118.4	118.4	118.4	100
Plug chewing tobacco	1967=100	116.5	126.4	126.4	126.4	125.3	99
Snuff	1967=100	124.8	130.2	138.6	138.6	138.6	106
Consumer price indexes (urban) 6/							
Cigarettes (reg. nonfilter)	1967=100	122.4	125.5	130.3	130.6	131.6	105
Cigarettes (filter tip king)	1967=100	125.3	125.4	130.8	131.1	132.2	105
Cigars (domestic reg. size)	1967=100	105.7	105.8	105.7	105.7	109.7	104
Imports of tobacco							
Cigarette leaf	Mil. lb.	9.9	13.3	11.0	10.6	13.4	101
Cigar tobacco 7/	Mil. lb.	7.6	11.1	8.1	6.6	8.6	77
Accumulated from Jan. 1							
Cigarette leaf	Mil. lb.	149.6		157.8	168.3		112
Cigar tobacco 7/	Mil. lb.	109.7		120.4	127.0		116

See footnotes at end of table.

Continued -

Item	Unit or base period	1970-71 Dec.	1970-71 Jan.	1971-72 Nov.	1971-72 Dec.	1971-72 Jan.	Last data as percentage of a year earlier
Exports of leaf tobacco (farm-sales weight)							
Flue-cured	Mil. lb.	65.2	38.9	1.2	61.4	100.3	258
Burley	Mil. lb.	2.3	3.1	0	2.0	6.9	223
Maryland	Mil. lb.	1.0	.1	0	.7	1.1	---
Virginia fire- & sun-cured	Mil. lb.	.3	**	0	.3	.7	---
Ky.-Tenn. fire-cured	Mil. lb.	1.3	1.7	.2	.9	4.4	259
Ky.-Tenn. dark air-cured	Mil. lb.	**	.1	0	**	**	---
Black Fat	Mil. lb.	.1	.3	0	.4	.3	100
Cigar wrapper	Mil. lb.	.1	.1	.1	.2	.2	200
Connecticut binder	Mil. lb.	.1	**	**	**	**	---
Wisconsin binder	Mil. lb.	0	0	0	0	**	---
Accumulated from beginning of marketing year 8/							
Flue-cured	Mil. lb.	296.9	335.7	138.9	200.3	300.6	90
Burley	Mil. lb.	11.7	14.9	**	2.0	8.9	60
Maryland	Mil. lb.	3.2	3.3	**	.7	1.7	52
Virginia fire- & sun-cured	Mil. lb.	1.7	1.7	0	.3	1.0	59
Ky.-Tenn. fire-cured	Mil. lb.	6.5	8.2	.2	1.0	5.5	67
Ky.-Tenn. dark air-cured	Mil. lb.	.1	.2	**	**	.1	50
Black Fat	Mil. lb.	.6	.9	0	.4	.7	78
Cigar wrapper	Mil. lb.	.8	.8	1.5	1.7	2.0	250
Connecticut binder	Mil. lb.	.2	.2	**	**	**	---
Wisconsin binder	Mil. lb.	**	**	0	0	**	---
Cigar filler	Mil. lb.	**	**	**	.1	.1	---
Exports of manufactured tobacco in bulk	Mil. lb.	3.2	2.9	.8	.3	4.5	155
Accumulated from Jan. 1	Mil. lb.	24.1		25.3	30.9		128

		Quarterly data			
		1970-71		1971-72	
		Oct.-Dec.	Jan.-Mar.	Oct.-Dec.	Jan.-Mar.
Stocks of tobacco—1st of quarter 9/					
Domestic types (farm-sales weight)					
Flue-cured	Mil. lb.	2,410	2,504	2,314	2,512	100
Burley	Mil. lb.	1,343	1,654	1,346	1,565	95
Maryland	Mil. lb.	62	50	52	46	92
Fire-cured	Mil. lb.	74	64	62	58	91
Dark air- and sun-cured	Mil. lb.	57	59	53	54	92
Cigar filler	Mil. lb.	126	114	110	98	86
Cigar binder	Mil. lb.	42	44	44	45	102
Cigar wrapper	Mil. lb.	25	26	23	23	88
Under Government loan 10/	Mil. lb.	1,279	1,371	1,264	1,149	84
Tobacco sheet 11/						
Cigarette types	Mil. lb.	31.8	29.2	27.1	26.9	92
Cigar types	Mil. lb.	1.5	2.0	1.5	1.8	90
Foreign types (farm-sales weight)						
Cigarette and smoking	Mil. lb.	406	386	367	339	88
Cigar	Mil. lb.	99	99	102	83	84
Tobacco outlets 12/						
Seasonally adjusted data, annual rates, for charts, p.2						
Cigarettes						
Production	Bil.	609.6	577.2	580.8	577.2	100
Taxable removals	Bil.	565.2	532.8	551.6	543.0	102
Cigar production	Bil.	8.37	8.01	7.66	8.01	100
Smoking production	Mil. lb.	68.5	70.9	58.2	62.0	87
Chewing production						
Loose leaf	Mil. lb.	38.2	40.9	41.4	41.7	102
Plug and other	Mil. lb.	28.7	29.3	27.9	28.0	96
Snuff production	Mil. lb.	26.7	26.0	26.7	26.3	101
Exports of leaf						
Total	Mil. lb.	648.3	770.6	214.3	1,156.0	150
Flue-cured	Mil. lb.	549.5	708.9	194.0	1,029.0	145

1/1971 and 1972 crops respectively. 2/Prices paid by farmers including interest, taxes and wage rates. 3/Seasonally adjusted. 4/Seasonally adjusted, annual rate. 5/Excise tax excluded. 6/Federal and applicable state and local taxes included. 7/Farm-sales weight equivalent. 8/July 1 for flue-cured and cigar wrapper and October 1 for others. 9/Holdings of manufacturers and dealers including grower cooperatives. 10/Reported by grower cooperatives. 11/Weight of tobacco leaf not including stems added. 12/Last quarter estimated. * Estimated. ** Less than 50,000 pounds. Detail may not add to total due to rounding.

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